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Central Eurasia

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***Border Control Points for Russia-Belarus Customs Union Named**

954E1228A Moscow ROSSIYSKAYA GAZETA in Russian 4 Aug 95 p 14

[Report on Russian-Belarusian common border regulations and list of checkpoints: "Russia and Belarus Unite Efforts in Customs Control"]

[FBIS Translated Text] In accordance with the Provisional Statute on Distinctive Features of the Organization of Customs Control on the Foreign Border of the Customs Union, partners in foreign economic transactions must submit the following documents to the customs agency located on the foreign border of the Customs Union for the official clearance of shipments of goods:

1. A customs freight declaration (form TR) filled out in accordance with the Instructions on the Procedure for Filling Out the Customs Freight Declaration (Order of the State Customs Committee of the Republic of Belarus of 31 January 1995).

2. A bill of lading, an invoice and, if necessary, other shipping documents containing information required for a customs clearance.

3. A certificate of origin on form ST-1 for goods from Commonwealth countries subject to excise taxes.

4. Authorization from state veterinary, phyto-sanitary, and quarantine control agencies if necessary.

5. The IMO book if the freight is being shipped according to the IMO procedure.

6. Documents confirming the presence of financial guarantees of the payment of customs fees required by national legislation for the customs status declared:

—a surety bond from the recipient of the goods;

—a surety bond from the guarantor (or bank);

—money deposited in the customs account.

Customs Checkpoints on Foreign Borders of Republic of Belarus with Personnel from RF Customs Agencies for Joint Customs Control

Republic of Belarus customs agency	Customs checkpoint	Address
Border with Republic of Poland		
Grodno Regional Customs		Railroad Station, Grodno, 230023, Tel: 44-80-83
	Privalka	Privalka, Grodnenskiy Rayon, Grodno Oblast, Tel: 93-72-36
	Berestovitsa-2	Checkpoint "Pogranichnyy," Berestovitskiy Rayon, Grodno Oblast, Tel: 3-45-04
	Bruzgi-2	Bruzgi, Grodnenskiy Rayon, Grodno Oblast, Tel: 93-43-43, 93-43-21
	Grodno	Clearance duty officer, Tel: 44-80-83
"Western Bug" Customs		1 Varshavskoye Highway, Brest, Tel: 6-59-12
	Kozlovichi	Kozlovichi, Brest Oblast, Tel: 26-24-61
	Mokrany	Mokrany, Maloritskiy Rayon, Brest Oblast, Tel: 2-10-75
	Zadvortsy	"Sovavto-Brest," Zadvortsy, Brest, Tel: 42-36-27, 41-24-77
Border with Baltic Countries		
Voronovo Customs		4 Ulitsa Kanarchika, Voronovo, Grodno Oblast, Tel: 2-03-47
	Benyakoni	Benyakoni, Voronovskiy Rayon, Grodno Oblast, Tel: 2-03-70
Oshmyanskaya Customs		Budenovka, Oshmyanskiy Rayon, Grodno Oblast, Tel: 8-01593-2-23-93
	Kamennyy Log	Kamennyy Log, Oshmyanskiy Rayon, Grodno Oblast, Tel: 2-19-04

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Republic of Belarus customs agency	Customs checkpoint	Address
Ostrovets Customs		Ulitsa Lenina, Ostrovets, Grodno Oblast, Tel: 8-01591-2-15-97
	Kotlovka	Kotlovka, Ostrovetskiy Rayon, Tel: 2-38-68
Braslav Customs		86 Ulitsa Leninskaya, Braslav, Vitebsk Oblast, Tel: 8-02153-2-26-55
	Urbany	Urbany, Braslavskiy Rayon, Vitebsk Oblast, Tel: 2-10-07
Verkhnedvinsk Customs		197 Ulitsa Sovetskaya, Verkhnedvinsk, Vitebsk Oblast, Tel: 8-02151-2-15-00
	Bigosovo-2	Grigorovshchina, Verkhnedvinskiy Rayon, Vitebsk Oblast, Tel: 2-83-52
Border with Ukraine Republic		
Pinsk Customs		35 Ulitsa Irkutsko-Pinskiy Div., Pinsk, Brest Oblast, Tel: 8-01653-2-52-15
	Verkhniy Terebezhov	Verkhniy Terebezhov, Stolinskiy Rayon, Brest Oblast, Tel: 4-62-18
	Mokhro	Mokhro Post Office, Ivanovskiy Rayon, Brest Oblast, Tel: 2-29-27
Mozyr Customs		64 Ulitsa Leninskaya, Mozyr, Gomel Oblast, Tel: 8-02351-2-44-00
	Novaya Rudnya	Novaya Rudnya, Yelskiy Rayon, Gomel Oblast, Tel: 8-254-2-20-47
Gomel Customs		126 Ulitsa Sovetskaya, Gomel, Tel: 8-0232(2)-56-17-97
	Novaya Guta	
Minsk Regional Customs		2a Ulitsa Rakovskaya, Minsk, Tel: 8-0172-20-32-51, 96-21-55, Fax: 20-32-51
	Customs Warehouses	
Vitebsk Customs		120 Moskovskiy Prospekt, Vitebsk, Tel: 8-0212(2)-96-39-96
	Customs Warehouses	
Mogilev Customs		77 Ulitsa Pervomayskaya, Mogilev, Tel: 8-0222-22-86-39, 22-05-83
	Customs Warehouses	

Transit shipments of goods through the Republic of Belarus to the Russian Federation must pass through one of these checkpoints.

*Procedures for Developing, Implementing CIS Programs Outlined

954E1198A Moscow ROSSIYSKAYA GAZETA in Russian 21 Jul 95 pp 9-10

[Procedure: "For Developing and Carrying Out Federal Target-Oriented Programs and Interstate Target-Oriented Programs in the Implementation of Which the Russian Federation Participates"; Approved by Decree of the Russian Federation Government No 594 of 26 June 1995]

[FBIS Translated Text]

I. General Provisions

1. Federal target-oriented programs and interstate target-oriented programs in the implementation of which the Russian Federation participates (henceforth called — target-oriented programs), are coordinated with respect to the resources, executors and periods for implementing a set of scientific-research, experimental-design, production, socio-economic, organizational-economic and other measures ensuring the efficient achievement of

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tasks in the sphere of the state, economic, ecological, social and cultural development of the Russian Federation.

Target-oriented programs are one of the most important means of implementing the structural policy of the state and actively influencing production and economic processes within the limits of the power under the jurisdiction of the Russian Federation.

2. In working with target-oriented programs, the following stages are singled out: selecting the problems for program development; making decisions on working out the target-oriented program, and its organization; expert examination and evaluation of the target-oriented program; approving the target-oriented program; controlling the implementation of the target-oriented program and monitoring the course of its fulfillment.

II. Selecting the Problems for Program Development

3. Any legal or physical persons can come forth as initiators of the formulation of problems to be solved by the program method at the federal level.

Both individual countries and groups of countries, as well as the coordinating organs of member-states of the Commonwealth of Independent States, can come forth as initiators in working out interstate target-oriented programs in the implementation of which the Russian Federation participates.

4. The following factors determine the selection of problems for their program development and solution at the federal level:

The significance of the problem;

The impossibility of completely solving the problem in acceptable periods through using an existing market mechanism, and the need for state support in solving it;

An innovation new in principle and the high efficiency of technical, organizational and other measures necessary for wide-scale dissemination of advanced scientific-technical achievements and, on this basis, an increase in the efficiency of social production;

The need to coordinate the intersectorial ties of technologically related sectors and production facilities to solve the given problem.

In substantiating the need to solve problems by the program method at the federal level, the priorities and goals of the socio-economic development of the Russian Federation, the directions of the structural and scientific-technical policy, the predictions for development of general state needs and financial resources, the results of an analysis of the economic, social and ecological condition of the country, foreign political and foreign economic conditions, and also international agreements should be taken into consideration.

5. Proposals on the program development of problems, with substantiations, are sent to the RF Ministry of Economics, and proposals on program development of scientific-technical problems for civilian purposes are sent to the RF Ministry of Science and Technology Policy.

The proposals should contain:

A description of the problem and analysis of the reasons for its arising;

Possible ways of solving the problem, a proposed list of measures which must be implemented in the sphere of science, technology, production and sale of the product (work, service), the organizational, labor, economic and legal relations to solve the problem and possible periods for carrying them out;

The need for financial resources and possible sources of providing them (federal budget, budgets of Russian Federation components, non-budgetary funds);

A preliminary evaluation of the socio-economic effectiveness and consequences of carrying out the program, and the conformance of the program measures to ecological and other requirements;

State buyers and developers of the target-oriented program, the basic suppliers and contractors, the period and cost of preparing the target-oriented program.

6. The RF Ministry of Economics, in conjunction with the RF Ministry of Finance and other concerned federal organs of executive authority and organs of executive authority of Russian Federation components, on the basis of the predictions of the socio-economic development of the country, the priorities of structural and scientific-technical policy and an analysis of the materials presented, prepares proposals on solving the given problem by program methods at the federal level and sends them to the RF Government. Proposals on preparing federal scientific-technical programs for civilian purposes are submitted to the RF Government jointly with the RF Ministry of Science and Technology Policy.

7. The RF Government, on the basis of the proposals submitted, makes the decision on preparing the corresponding target program and the periods and cost of its development, and determines the state buyer.

For large-scale and particularly significant target-oriented problems, the concept for solving the program problems may be worked out by decision of the RF

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Government or on the basis of an interstate (intergovernment) agreement.

The decision on working out interstate programs is made by the RF Government after the appropriate interstate (intergovernment) agreement is reached.

III. Formation of the Target-Oriented Program

8. The state buyer bears the responsibility for prompt and high-quality preparation and realization of the target-oriented program, prepares the initial assignment for its formation. controls the actions of the developers, implements control of the executors of the program after its approval and ensures efficient use of the resources allocated to carry out the program.

The state buyer of a target-oriented program:

a) Implements pre-contract selection, on a competitive basis, of the executors of the work and services and the suppliers of the products for each program measure;

b) Coordinates the possible periods for fulfilling the measures and the amounts and sources of financing with the main concerned participants in the program. For measures which stipulate financing through the funds of non-budgetary sources or budgetary components of the Russian Federation (if inter-regional and regional target-oriented programs are included in the target-oriented program), signs the agreements (contracts) on intentions between the state buyer of the program and the enterprises, organizations and organs of state authority of Russian Federation components;

c) Organizes, when necessary, the holding of specialized expert examinations of the draft of the target-oriented program and, according to the results of the expert examination, does the finishing work on it.

9. An interstate target-oriented program, in the implementation of which the Russian Federation participates, is formed on the part of the Russian Party by state buyers of the program, in accordance with the agreement concluded and the decision of the RF Government.

10. The target-oriented program consists of the following sections: the content of the problem and substantiation of the need to solve it by program methods; the basic goals and tasks, periods and stages of carrying out the program; a system of program measures, including measures for job-placement, which includes the creation of new work places, retraining and social protection for workers discharged as the result of the program's realization; resource support of the program (through funds of the federal budget and non-budgetary sources, budgets of RF components, with the distribution of expenditures throughout the regions of the country); the mechanism for carrying out the program; organization of program control and monitoring the course of its realization; evaluation of the effectiveness, socio-economic and ecological consequences of realizing the program; a certificate of the target-oriented program in accordance with the enclosure.* (*not published).

Attached to the draft of the target-oriented program there should be an explanatory note, a business-plan with socio-economic and technical-economic substantiations, a preliminary budgetary application for allocations from the federal budget to finance the program for the next year, a sheet holding the agreement with concerned federal organs of executive authority and, when necessary, the agreements (contracts) on intentions between the state buyer of the program and the enterprises, organizations and organs of state authority of Russian Federation components, corroborating the financial program from non-budgetary sources and the budgets of Russian Federation components.

The target-oriented program must ensure the coordination of all program measures and the order of priority in carrying them out, with the projected volumes of financial resources, as well as the coordination and integration of achieving sectorial and regional tasks. In the next one or two years, the program measures, their financing and business-plan, with socio-economic and technical-economic substantiation, should be made specific.

11. The concept of solving the program problem should determine variants of its solution, formulate the basic goals and tasks of the corresponding target-oriented program and substantiate the stages and most efficient directions for carrying it out and the amount of resources necessary for this.

12. The state buyer of the target-oriented program should send the explanatory note, business-plan and socio-economic and technical-economic substantiations, preliminary budgetary applications and agreements (contracts) on the intentions between the state buyer of the program and the enterprises, organizations and organs of state authority of Russian Federation components, which corroborate the financial programs through non-budgetary sources and the funds of the budgets of Russian Federation components, to the RF Ministry of Economics and Ministry of Finance, and for target-oriented programs which contain sections on scientific-research and experimental-design work (NIOKR) for civilian purposes — also to the RF Ministry of Science and Technology Policy. The materials submitted should contain the data necessary to make an analysis of the draft of the target-oriented program, the special features of the market segment toward which this project is oriented, possibilities of carrying

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out this program within the proposed periods of time and estimates of the efficiency and implementation of monitoring the course of its fulfillment.

IV. Expert Examination and Evaluation of the Target-Oriented Program

13. The RF Ministry of Economics, RF Ministry of Finance and RF Ministry of Science and Technology Policy (for target-oriented programs which contain NIOKR for civilian purposes) evaluate the submitted draft of the target-oriented program, in so doing paying particular attention to:

The priority nature of the problem proposed for program solution;

The justification, balanced nature and ecological safety of the program measures and the periods for carrying them out;

The need to attract primarily non-budget funds and funds of the budgets of Russian Federation components to carry out the program in coordination with the possibilities of state support for it through centralized resources;

The efficiency of the mechanism to implement the program;

The socio-economic effectiveness of the program as a whole, the anticipated end results of carrying out the program and its effect on the structural reorganization of the Russian economy.

14. The RF Ministry of Economics, with the participation of the RF Ministry of Finance and the RF Ministry of Science and Technology Policy (in the drafts of programs which have sections for NIOKR for civilian purposes), and on the basis of the proposals of the concerned organs of state authority of the Russian Federation and organs of state authority of Russian Federation components, prepares a decision on the drafts of the target-oriented program and preliminary budgetary application. When necessary, an expert examination of the draft of the target-oriented program is organized.

On the basis of the comments and suggestions of the RF Ministry of Economics, the state buyer of the target-oriented program, together with its developers, does the finishing work on the draft of the program. The finishing work on the draft of an interstate target-oriented program, in the implementation of which the Russian Federation participates, is done in conjunction with the buyers and developers of the other countries.

The finalized draft of the target-oriented program is again sent to the RF Ministry of Economics, and the draft of a target-oriented program containing a section on NIOKR for civilian purposes is also sent to the RF Ministry of Science and Technology Policy.

15. If the RF Ministry of Economics, by agreement with the RF Ministry of Finance, gives a favorable evaluation, the draft of the target-oriented program is submitted to the RF Government for approval.

The draft of a target-oriented program which has a section on NIOKR for civilian purposes is submitted to the RF Government by the RF Ministry of Economics, upon agreement with the RF Ministry of Science and Technology Policy and the RF Ministry of Finance, and the draft of a federal scientific-technical program is submitted by the RF Ministry of Science and Technology Policy and the RF Ministry of Economics, upon agreement with the RF Ministry of Finance.

16. The concept of solving the program problem is evaluated and approved in accordance with points 13-15 of this procedure.

17. The drafts of target-oriented programs and concepts of the solution to the program problem may undergo a state specialized and comprehensive expert examination before they are approved by the RF Government, and also in the course of carrying out the programs.

The state specialized expert examination of target-oriented programs and drafts of the concept of solving the program problems establish their conformance to the requirements of economic, ecological, technological, military and information safety and to the normative acts, standards and agreements in force. The state buyer organizes the conducting of the expert examination, if it is necessary.

The state comprehensive expert examination of drafts of major target-oriented programs and concepts of the solution of program problems is carried out by the Council of Experts attached to the RF Government. In the course of the expert examination, the conformance of these drafts to the interests of the Russian Federation and the adequacy of the system of program measures for efficient achievement of the priority tasks of socio-economic, scientific-technical, defense and ecological policy are established.

The results of the specialized expert examination are taken into consideration in the examination of the drafts of the concept of solving a program problem or a target-oriented program in the appropriate organs of executive authority, and in their making a decision on the document under consideration, and the decision of the Council of Experts at the RF Government — when examining and making a decision on the draft of a target-oriented program or concept of the solution to a program problem.

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18. Work on conducting a state comprehensive expert examination is financed through the funds of the federal budget, and a state specialized expert examination — in accordance with the established procedure.

V. Approval of a Target-Oriented Program

19. Target-oriented programs and state buyers are approved by the RF Government.

State buyers are provided with financial resources in the amount established by the federal budget, and are responsible for carrying out federal target-oriented programs.

A state buyer-coordinator, determined by the RF Government, implements the interaction of several state buyers on the same state program.

20. After the target-oriented program is approved, the state buyer, on the basis of agreements (contracts) on intentions, and on the basis of the amount of financing through the funds of the federal budget for the next financial year, concludes state contracts with the executors to finance the target-oriented program from non-budgetary sources and budgets of Russian Federation components.

21. The state buyer of a target-oriented program can transfer to enterprises, organizations and institutions, on a contractual basis, the fulfillment of part of his functions, under the conditions stipulated by the RF Government.

VI. Financing Target-Oriented Programs

22. Preparation of drafts of a target-oriented program and the concept of solving the program problem, the development of which is implemented by decision of the RF Government, is financed through the funds specified in the section of the federal budget, "Prochiye stati" [Other Items].

23. Approved target-oriented programs are realized through the funds of the federal budget drawn in to fulfill these programs from non-budgetary sources and funds of the budgets of Russian Federation components.

The solution to problems under the joint jurisdiction of the Russian Federation and Russian Federation components is implemented mainly through the budgetary funds of Russian Federation components.

24. Among the non-budgetary sources drawn in to finance target-oriented programs are: payments from participants in the realization of the programs, including enterprises and organizations of the state and non-state sector of the economy; target-oriented withholdings from the profits of enterprises concerned in carrying out the programs; bank loans, resources from funds and public organizations, foreign investors interested in the realization of the programs (or separate measures of it) and other receipts.

25. Special funds may be created to implement target-oriented programs. The sources of the capital directed to these funds are: profit left at the disposal of enterprises and organizations, funds from the budgets of Russian Federation components, the resources of non-budgetary funds of federal organs of executive authority and others.

The appropriate proposals are introduced when there is a question of forming special funds, which require the decision of the RF Government or the Federal Assembly, or the state buyer of a target-oriented program.

26. Foreign investors may finance target-oriented programs on the basis of share participation. Foreign capital is drawn into the realization of program measures in accordance with legislation on foreign investments.

27. The source of financing target-oriented programs may be investment and conversion loans, as well as target-oriented, state-guaranteed bank loans. The legalization and granting of state guarantees for the issue of loans by commercial banks is implemented by the RF Ministry of Finance. State guarantees are issued to commercial banks for specific objects of the program measures.

28. For target-oriented financing of programs from the federal budget, the RF Ministry of Economics, in conjunction with the RF Ministry of Finance, with the attraction of state buyers, in the periods established by the RF Government for shaping the federal budget for the next financial year, sends the RF Government proposals on a list of federal and interstate target-oriented programs accepted for financing from the federal budget, and the amounts of their financing.

For these purposes, government buyers of target-oriented programs, on the basis of the course of their realization in the current year, and carrying out pre-contract development of the placement of orders for federal state needs, precisely specify the amount of funds needed to finance the programs for the next year and submit drafts of the corresponding budgetary applications, with their substantiations, to the RF Ministry of Economics, the RF Ministry of Science and Technology Policy and the RF Ministry of Finance.

The RF Ministry of Science and Technology Policy and the RF Ministry of Finance send the RF Ministry of Economics their proposals on the amount of state support for the next financial year for scientific research, experimental-design work and other current expenditures to carry out target-oriented programs.

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When preparing the list of federal and interstate target-oriented programs adopted for financing from the federal budget for the next financial year, the RF Ministry of Economics, in conjunction with the RF Ministry of Science and Technology Policy and the RF Ministry of Finance, on the basis of the drafts of the budget applications submitted by state buyers of the target-oriented programs, and in consideration of the course of fulfilling the measures of the programs being carried out and the measures to draw in non-budgetary sources of financing and funds from the budgets of Russian Federation components, and the potentials of the federal budget, determines the state support of the target-oriented programs with respect to the amount of centralized capital investments, expenditures for scientific research and experimental design work and other current expenditures.

29. The RF Government submits the list of federal and interstate target-oriented programs adopted for financing from the federal budget to the Federal Assembly for approval as part of the federal budget for the next financial year. The federal budget for the next financial year stipulates allotting the state buyers of the programs, for target-oriented purposes, allocations to finance the capital investments, expenses for NIOKR and other current expenditures. When approving the amount of financing for the target-oriented purposes, the RF Government can submit a proposal to the Federal Assembly on protection of the expenditures of target-oriented programs in the federal budget.

30. For federal and interstate target-oriented programs for state buyers approved by the RF Government, financing is opened from the federal budget, in accordance with the established amounts of centralized financing accepted for the target-oriented program for the next financial year after they conclude state contracts (agreements) with all those participating in the realization of the programs approved, or with the more precisely defined amounts of financing the programs from non-budgetary sources and the budgets of Russian Federation components.

31. When the amount of budgetary financing of work on a target-oriented program is cut back, the state buyer works out additional measures to draw in non-budgetary sources and funds from the budgets of Russian Federation components to carry out the measures of the target-oriented program within the established periods.

VII. Controlling the Realization of a Target-Oriented Program and Monitoring the Course of Its Fulfillment

32. The forms and methods of organizing control of the realization of a target-oriented program are determined by the state buyer. Routine control is implemented by the board of directors of the target-oriented program, formed by the state buyer and headed by one of the deputy directors of the federal organ of executive authority responsible for fulfilling the target-oriented program.

The target-oriented program is carried out on the basis of state contracts (agreements) for the purchase and supply of products for federal state needs, concluded by the state buyer of the program with all the executors of the program measures. The state contract determines the rights and duties of the state buyer and supplier with respect to providing for federal state needs, and regulates their relations when fulfilling the state contract, including stipulation by the state buyer that the course of the work done to fulfill the state contract will be monitored.

The state buyers of a target-oriented program report to the RF Ministry of Finance and the RF Ministry of Economics on the state contracts (agreements) concluded with all those participating in the realization of the programs, with respect to their financing from non-budgetary sources and the budgets of Russian Federation components, including those for the purchase and supply of products for federal state needs.

33. State buyers of a target-oriented program, on the basis of the financial resources assigned yearly for realization of the target program, more precisely define the target-oriented indicators and expenditures for the program measures, the mechanism for carrying out the program and the staff of executors.

34. When necessary, the state buyer submits proposals to the RF Ministry of Economics, the RF Ministry of Science and Technology Policy and the RF Ministry of Finance on extending the period for carrying out a target-oriented program which expires in the current year. The RF Ministry of Economics, upon agreement with the RF Ministry of Science and Technology Policy and the RF Ministry of Finance, prepares the decision on extending the period for carrying out the target-oriented program or on the inadvisability of its further state support, and sends it to the RF Government to make the decision.

Preparation of an extended target-oriented program, the period for realization of which expires in the current year, and also the inclusion in the target-oriented program of new subprograms and their approval are implemented in accordance with the procedure established for developing and realizing federal and interstate target-oriented programs.

The duties of the Russian Party with respect to interstate target-oriented programs in the implementation of which

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the Russian Federation participates, are amended in conjunction with the buyers of the other countries.

35. The RF State Committee on Statistics, in conjunction with the state buyers of target-oriented programs, organizes the keeping of quarterly statistical reports on the realization of the approved federal and interstate target-oriented programs, in accordance with a list of indicators agreed upon with the RF Ministry of Economics.

36. The RF Ministry of Economics, with the participation of the RF Ministry of Finance, state buyers of target-oriented programs, concerned organs of state authority of the Russian Federation and organs of state authority of Russian Federation components, organizes expert checks of the course of realization of individual target-oriented programs. In this case attention is paid to meeting the deadlines for carrying out the program measures, to the purposeful and efficient use of the funds allotted for their realization, to drawing in the funds of non-budgetary sources of financing and the budgets of Russian Federation components and to the end results of the program.

According to the results of the expert checks, proposals are prepared for submission to the RF Government on the expediency of continuing the work and financing the programs or on discontinuing them, and on elaboration of the benefits or application of sanctions on those participating in carrying out the program.

37. State buyers of programs send:

To the RF Ministry of Economics, the statistical, reference and analytical information on the preparation and realization of federal target-oriented programs that is necessary for fulfillment of the functions entrusted to the Ministry;

Yearly, before 1 February, to the RF Ministry of Economics and the RF Ministry of Finance, and in some of the target-oriented programs which contain sections on NIOKR for civilian purposes — also to the RF Ministry of Science and Technology Policy, reports on the course of work on the programs and the efficiency with which the financial resources are used.

The RF Ministry of Economics, with the participation of the RF Ministry of Finance, the RF Ministry of Science and Technology Policy, state buyers of the programs and the organs of executive authority of Russian Federation components, before 1 March of each year, prepares and submits to the RF Government a report, for the year under review, on the course of realization of federal target-oriented programs and interstate target-oriented programs in the implementation of which the Russian Federation participates.

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Political Issues

Zhirinovskiy Portrayed as Kremlin Puppet

954F2966A Moscow ZAVTRA in Russian Jul 95 No 29, p 1

[Article by S. Plotinov: "Who Is Controlling Zhirinovskiy?"]

[FBIS Translated Text] Last week, during the vote on the formation of a commission of the State Duma for the impeachment of Yeltsin, the LDPR [Liberal Democratic Party of Russia] faction, on Zhirinovskiy's orders, withdrew its votes. Malicious tongues are saying that in the evening of the day before, there had been a telephone call from the Kremlin to Zhirinovskiy's apartment, after which the latter once again changed his viewpoint 180 degrees.

Mr. Zh. became quite an influential political personage, inasmuch as he skillfully reflects the mood of a particular social group of the post-Soviet society—the one hurt most by the so-called "reforms," the one most disoriented by the abrupt ideological shifts, and the one that is the least aware in the political meaning of the word. Zhirinovskiy was able to harness the sentiments of this group of people for some period of time. This is a fact. ZAVTRA took account of this, providing the LDPR with a forum.

At the same time, it was learned, according to the data of a number of special services, that immediately following the referendum on 25 April 1993, Mr. Zh. entered into large-scale, conspiratorial contacts with the Kremlin administration, with Sergey Filatov specifically. It was the latter who involved Mr. Zh. in the work of the constitutional conference in the summer of 1993. It was on Filatov's advice that Mr. Zh. occupied the "correct" position, approving, virtually, of the coup d'etat in September 1993. Mr. Zhirinovskiy and his LDPR performed a decisive role in the approval of Yeltsin's constitution in December of the same year, when Zh. called on his supporters to vote "for" this constitution.

After the December elections, when Zh., having pulled over to himself the votes of the patriots, had accomplished his mission, the Kremlin cooled toward him. The promises given Mr. Zh. were not kept. Zhirinovskiy once again began to grow more radical and to create his own system of financial support, which had from the very outset been strictly controlled by Kremlin special services.

At the present time the Kremlin is once again making a temporary gamble on Zhirinovskiy. At the December (1995) elections, Mr. Zhirinovskiy's LDPR is to split the patriotic electorate. Nor, in addition, can we rule out the version, in the event of presidential elections being held, of the Kremlin's strong support of Zhirinovskiy in order that Zh. become B.N.'s principal opponent. In the event of A "Yeltsin-Zhirinovskiy" pairing, B.N. would definitely win.

In the present Byzantine game, Zhirinovskiy, like many others also, cannot play independently. He is being played. And, in any event, the advantage will be to "those behind the wall."

....Last week Mr. Zhirinovskiy took the side of Hitler, in fact, and slandered Stalin. In the year of the 50th victory of the Soviet Union, this is an insult against the Soviet people.

In addition, Mr. Zhirinovskiy derisively called Stalin a person of Caucasus nationality. It is not tactful to comment in this way on one of the greatest leaders of the 20th century, who was never a prattler.

Yavlinskiy, Gaydar Views Contrasted

954F2956A Moscow ROSSIYSKIYE VESTI in Russian 28 Jul 95 p 2

[Article by Nikolay Andreyev, under the rubric "Elections": "Gaydar and Yavlinskiy: Trial by Elections"]

[FBIS Translated Text] Yegor Gaydar and Grigoriy Yavlinskiy felt an urge to explain themselves to society. Gaydar published the article in IZVESTIYA "Trial by Elections." Yavlinskiy related his views at length, publishing in the same IZVESTIYA two long articles under the telling title "There Is No Tragedy in the Democratic Schism," "Between the 'Pros' and 'Cons'" in MOSKOVSKIYE NOVOSTI, and finally, a gigantic discourse in FINANSOVYYE IZVESTIYA, in which Grigoriy Alekseyevich analyzes the causes of the government's failure to subdue inflation.

Gaydar and Yavlinskiy selected a perfect time to define their positions. The date for parliamentary elections has been set, and it is time to decide who you are with, what you are going to use to lure the voters to your electoral slate, and how you feel about imaginary and real-life flying. For democrats, these are essential issues. That they will not form a unified front is clear. Using an enormous quantity of words, Yavlinskiy sets out to prove the political necessity of it. Reading his voluminous discourse makes one realize that the democrats will never be united. They are too intolerant precisely toward those who are close to them in ideology and outlook.

The Yabloko faction is famous for its unity. To the best of my recollection, it has never split, nobody has walked out on it with an uproar or a scandal,

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and nobody was kicked out. Not the least role in cementing the faction was played by the fact that it has a leader—ambitious, and authoritarian by temperament and mentality. Bearing in mind that the faction consists of unremarkable personalities, who do not set their sights too high, Yavlinskiy does not have to worry about his fate as a leader—he has settled in this job seriously and for a long time to come. Which, in turn, predetermines Yabloko's longevity and evokes trust in it and its leader.

Against this background Gaydar looks very unconvincing, of course. Scandals rattle both the Democratic Choice of Russia and its parliamentary faction. Its members constantly squabble, and those who leave it never do so without loudly slamming the door. Here are just a few names of those who have left Democratic Choice: Boris Fedorov, Mikhail Poltoranin, Gennadiy Burbulis, Andrey Kozyrev, Vladimir Bauer, Ella Pamfilova—people quite prominent in terms of political significance and influence. It would seem that instead of getting into arguments with Yavlinskiy on the subject of who is the democratic movement leader, Gaydar should first take care that he does not end up alone.

It so happens, however, that these two names—Gaydar and Yavlinskiy—to a large extent personify the democratic movement in Russia. And no matter how weak Gaydar currently may be, and what cataclysms the parliamentary faction led by him may be going through, he still remains, along with Yavlinskiy, the reference point for the democratic movement. It would seem that had they been together, nothing could have defeated this unified party of democrats. But they are not simply separate—they are in a state of bitter confrontation. So what arguments do they cite in favor of the benefit of this situation?

True, only Yavlinskiy sees the schism as beneficial. Gaydar does not use the word "schism" altogether—for him, it is not a principal matter; the main point for him is to determine how society is developing today and what are the democrats' chances in the upcoming elections.

For Yavlinskiy, the schism is a matter of principle. He cites numerous arguments to prove the impossibility of unification. The watershed, in his opinion, runs along the line of which attitude should be taken toward the president and the government. Yavlinskiy says: We, Yabloko, are an alternative to Yeltsin and the government, while Gaydar supports them, and therefore there cannot be anything in common between him and me. Yavlinskiy draws the conclusion: "In this situation a principled distancing of democrats from the political course being conducted by the national leadership is the only way to preserve a democratic party in Russia." Yavlinskiy does not recognize any compromises in relations with the authorities. He is firmly convinced that this particular composition of the government, and this particular prime minister, are unable to run Russia. Therefore, he is convinced that the main task right now is a peaceful change of authority within a year. "Everything that works for this is good. Everything that can harm a peaceful change of authority is bad."

Gaydar does not propose bringing down the government. He even finds positive points in its activities: the economic program. Gaydar is fully aware that such an admission will not add to his popularity: "It probably cost us some dividends, lost us some gains." Yavlinskiy was quick to use this to emphasize once again, as he put it, the "primitivism of Gaydar's course."

The next watershed is the attitude toward Yeltsin. Gaydar does not even mention him by name. But since he supports in some respects the government and the general policy of the authorities, one may draw the conclusion that he is not among the president's harshest critics. Yavlinskiy is another matter. He considers Yeltsin a source of evil for Russia. When at the end of last year the question of no confidence in the government was raised in the Duma for the first time, Yavlinskiy said that he would not rally against this cabinet, because the latter is only an obedient tool of the president's will and he is the one to be removed.

Who are Yavlinskiy and Yabloko with now? The press has already proffered opinions on the similarity of the positions between Yabloko and the communists. Yavlinskiy does not refute this. In his program articles he states with whom the political movement he heads will form an alliance in the future elections of the head of state: "With those who are in opposition to the current president, government, and the party of power they have created. Regardless of what a political group that has proven its adherence to this set of ideas calls itself, it cannot be regarded as an obstacle for its participation in the coalition in the presidential elections." Yavlinskiy does not qualify his statement regarding the eventuality that he may find among his allies such Yeltsin opponents as Zhirinovskiyites, communists, chauvinists, and nationalists, who will definitely make an attempt to make it to the next Duma as well. Grigoriy Alekseyevich has only one criterion for those with whom he is willing to "go into battle": that this person or political group be against Yeltsin. Who walks next to him onto the battlefield— Zhirinovskiy, Zyuganov, or Nevzorov—is not all that important.

The question of future democracy in today's Russia is a principal one both for Gaydar and for Yavlinskiy.

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What is their interpretation of it? Yavlinskiy postulates: "The democrats' principled distancing from the political course being conducted by the national leadership is the only possible way of preserving a democratic perspective in Russia." A strong statement, but too narrow: It comes through that the fate of democracy in Russia depends only on whether or not Yeltsin is brought down. Ella Pamfilova, whose political position lately has been very close to that of Yabloko, spoke out quite definitely: "Our Home Is Russia is doing the worst thing—it is turning the people of Russia away from democracy for good. Even if the communists won for some time, this would not be a lasting victory. And this would not be as frightening as what is happening now. The current stabilization is a stabilization of dead flesh."

That is, democracy, according to Yavlinskiy, means the absence of Yeltsin, Chernomyrdin, this particular government—that is, "stabilizers of dead flesh." Once they are removed, democracy will triumph in Russia. I wish it were so simple—just replace the rulers in the Kremlin and the White House, and "liberty, equality, and brotherhood" will triumph.

Gaydar has somewhat different ideas of democracy and democrats. He believes that they are exactly the force that is fighting for a normal, civilized evolution of the current capitalism, making it honest and socially fair. "I am speaking about a force that is interested in making the state serve society instead of society being the slave of the state, a force that advocates a gradual process of adapting capitalism to the needs of the Russian people, to normal life. They are the people who are commonly called democrats."

In my opinion, Gaydar defines the substance of democracy far more convincingly than Yavlinskiy. For Gaydar, it does not boil down to a fight against specific persons in power. Cardinal changes must take place in society that will establish the rules of government, thus enabling society to influence the governors. Gaydar gets my vote because he speaks of evolution. Yavlinskiy is for revolution, destruction, sharp turns. And we all know too well what happens as a result of all this. We have to choose that which is more preferable for us.

'New Russia' Leader Polevanov Profiled

954F2967A Moscow MOSKOVSKAYA PRAVDA in Russian 22 Jul 95 p 5

[Unattributed commentary: "The Man Who Was Not Afraid To Tell the Truth"]

[FBIS Translated Text] Polevanov belongs to that brilliant Russian type described by all the classics—from Pushkin to Sholokhov. For the first time, a man who is not like anyone else has entered the capital city elite.

Appointed in November 1994 chairman of the GKI [State Committee for the Administration of State Property] and deputy prime minister, Amur governor Polevanov unexpectedly engaged in a bitter battle with "father of privatization" Chubays, and it was in this battle that he made a name for himself.

Polevanov was born on 11 November 1949 in Kharkov. His father, Pavel Tikhonovich, was a first-rate metalworker. Fought in the war since 1941. On 9 May 1945 was wounded in the head near Prague. Spent three years in a hospital, where he met a nurse, who later became his wife.

With the help of the Hammer and Sickle Plant, he built a house and started an orchard on a small plot. In this orchard and vegetable garden, Polevanov went through, as he puts it, the "school of patriotism and optimism," working for sustenance of the family.

In 1971 Vladimir Pavlovich graduated from the geological department of the Kharkov State University. His assignment was to Crimea. He refused. To get assigned to Kolyma, Polevanov went all the way to Minister of Geology Rovnin.

The young specialist found himself in the midst of adventure seekers, former convicts, and experienced gold prospectors. Acquaintance with local customs began with demands of the foreman to pad the paperwork on the work done. Polevanov "did not get it." He was repeatedly ambushed. Had to fight. There were threats on his life. His mettle was tested.

At the age of 24 he became chief geologist of a geological survey, and at the age of 27—chief geologist of the Yagodninskaya expedition (sent to bridge the gaps). On the territory of 100,000 square kilometers Polevanov conducted prospecting for gold, tungsten, lead, zinc, iron, mercury, coal, and cobalt. But gold remained his "main love."

After defending his candidate's thesis, Polevanov became chief of the geological department of the Sevvostgeologiya association. Under his jurisdiction was Magadan Oblast, 1.2 million square kilometers, where he was in charge of the placer gold production of 10 expeditions.

Over the period of 12 years in Kolyma and six in Magadan, Polevanov placed his life at risk many times. Ten percent of the workers in Kolyma die in accidents. Polevanov encountered all sorts of challenges—from being shot at by a drunk to a bear attack.

In 1974 he married cartographer Valentina Sviridova.

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A year later, in November, their daughter Svetlana was born. Polevanov scouted the entire Susuman, found in one organization a blooming rose on a windowsill, and managed to get them to give it to him. It was 47 degrees below zero outside.

Son Anton was born eight years later in Magadan.

As time went by, Polevanov gained fame and respect. In 1987 he had to organize geological prospecting work in Amur Oblast, since almost all the Kolyma reserves were already identified.

Starting with a "clean sheet," Polevanov relocated from Kolyma personnel and drilling teams, and by May 1992 tripled the volume of prospected gold reserves.

In the past, Vladimir Pavlovich had no direct involvement in politics, but during the "hot autumn" of 1993, when dual authority set itself in Russia, he resolutely supported the president, believing that continuing this state of dual authority would bring the country to a catastrophe.

Soon, head of oblast administration Aleksandr Surat, who did not support the president's decree No. 1400, was dismissed, and Polevanov appointed in his place.

Polevanov served as governor for more than a year. Over that time he achieved success unthinkable from the standpoint of a politician: B.N. Yeltsin visited the oblast. In his everyday activities, meanwhile, Polevanov implemented several nontraditional decisions: He declared 1994 a "year of Amur culture," procured manual-control cars for invalids of the war and the Afghan conflict, provided support for disadvantaged children, completed construction of the largest hospital in the Russian Federation, and secured delivery of 600 grain-harvesting combines to the oblast. He insisted on financial aid to musicians, writers, and artists.

In Moscow, as he tells it, Vladimir Pavlovich found himself in the job of deputy chairman of the government and GKI chairman, thanks to the president's decision and despite Anatoliy Chubays' wish.

After two weeks on the job, he ordered an analysis of the conduct of privatization in Eastern Europe and special services documents on the Russian practice. What he saw astounded him. The accelerated pace of privatization was destroying the economy; privatization was being conducted in the interests of a narrow group, while the majority of the population found itself deceived, having lost their right to property.

Polevanov expressed his opinion to Chubays, thinking that the latter was sincerely unaware. The conversation with Chubays disappointed him. Polevanov believes that the interests of the state are the least of Chubays' concerns.

Polevanov also believes that he is protecting the interests of the state and that the state should retain the controlling share during privatization of strategic enterprises.

Chubays had to dispense with formalities and openly started a confrontation.

In analysts' opinion, Polevanov's dismissal was predetermined to a large extent by the government's overriding desire to get from the IMF a $6 billion loan.

Polevanov sees the activism of the "pro-American lobby" as the cause of his dismissal.

The open letter to Chernomyrdin, which a number of newspapers reprinted, may be considered the finale of the first act of the fight.

Dismissed from the government, Polevanov continued his fight. After the television broadcast "The Moment of Truth," where he disclosed privatization methods, he was fired from the president staff's Control Administration.

Recently Polevanov assumed leadership of the New Russia all- Russia movement. (By the way, Pavel Globa's published horoscope predicts Polevanov's full victory over Chubays!)

'Theses' of 'New Russia' Movement

954F2967B Moscow MOSKOVSKAYA PRAVDA in Russian 22 Jul 95 p 5

[Article by Vladimir Polevanov: "Theses of the 'New Russia' Movement"]

[FBIS Translated Text]

Where Have We Arrived?

Ten years of perestroyka are behind us. Many pretty words have been said and written about democratization, liberalization, stabilization, acceleration, and privatization. Each person received a voucher, which, according to Chubays' promise, was to be worth two Volga cars; 60 percent of state property have been privatized.... What have we gotten? A different country, in which it is uncomfortable and frightening to live, where crime runs unabated and mothers are afraid to let children walk to school alone. We have lost confidence in tomorrow; by the State Committee for Statistics' dispassionate definition, 45 million people "in the first quarter of 1995 had an income below the sustenance minimum." Translated into Russian, that means one thing: 45 million persons are starving or dying a slow death.

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Why Do We Tolerate This?

The living that is wearing people out, the exhausting struggle for a piece of bread and a cubic meter of firewood, and the numerous betrayals by many leaders and authorities have done their work: People have lost faith, despaired, become afraid. Although, if you think about it, patience has no explanation. During the civil war we bore the hardship because we believed that we were fighting for a better life; industrialization in front of our very eyes was turning the country from a backward into a powerful and developed one; in the Great Patriotic War everything was utterly clear: "Our cause is just! We will win!" The reconstruction of the country, building the nuclear shield, conquering space, plowing the virgin lands, and the construction of the Baykal-Amur Mainline—all of this was easy to explain; people knew where they were going and what they were suffering hardship for! People saw that their patience was rewarded by the growing well-being of each and the growing greatness of the country. Now, however, people's great patience permits 3-5 percent of the country's population to get rich almost without looking over their shoulder, to feast amidst the plague, and buy more Mercedes cars than in Paris! The people of Russia are not part of this equation, despite everyone's swearing loyalty to their well-being.

Who Is at Fault?

The shock therapists, the great privatizers, and influential Gazprom economic managers in the government, who are now building "their home, Russia" for those 5 percent of Russians, to whom they are hurriedly transferring all-Russian property, quotas, licenses, banks, and... And, finally, we ourselves are to blame, because we bear it silently, permit ourselves to be fooled by pretty words and loud promises, watch dispassionately as the formerly great country is being plundered and pilfered.

What To Do?

The country needs a new economic course, where reforms would be conducted in the interests of the now-forgotten people. We have drafted this course. It envisages strengthening the role of the state in economic processes, first and foremost for social protection of citizens, reducing taxes on producers, making preferential bank loans available to goods producers, preserving and supporting profitable kolkhozes and sovkhozes while gradually developing the system of private farms, and protecting domestic goods producers.

A nation cannot exist when half of the national economy has been strangled, pushed into bankruptcy!

We have an obligation to return to the Russian state the role of protector, the role of a mother to its children—the citizens. Now she is not even a stepmother, because no stepmother would permit herself to build mansions and get rich while her children are dying of hunger.

We must in fact reign in crime—both violent and economic. Without it, no movement forward is possible.

The main task today is to not let the current rulers entrench themselves in power.

The reforms they are conducting are at best unpremeditated murder of the country. No confidence in the government of Chernomyrdin- Chubays!

Stop being afraid! He who already is on the ground cannot fall any farther! There are 140 million of us, people who have lost faith and hope; 140 million people who were deprived of the opportunity to earn by honest labor a decent life for themselves and their children! The country belongs to us—not those 8 million who fly to vacation in the Bahamas and send their children to live and study in New York!

We are terribly disunited, and we are being killed one by one. Our movement, which we have named New Russia, has been created with the goal of uniting the ordinary people of the country, scientists, entrepreneurs, who have honestly earned their money, all those who have not resigned themselves to the fate of being second-class citizens in their own home, who want to stop living in constant worry for themselves and their loved ones, who will build a new country for all Russians—not for the 5 percent of those who have grabbed fat pieces of property. Unite in order to win in the elections and to peacefully turn the ship of Russian statehood to a new economic course. Well-being for all who work honestly is our main goal!

Polls on Party Preferences Analyzed

954F2961A Moscow ARGUMENTY I FAKTY in Russian Aug 95 No 31, p 2

[Article by Yevgeniy Cherepanov, general director of the Institute of Systems Analysis and Sociology: "Lebed Gains Altitude"]

[FBIS Translated Text] "Now, when our unhappy motherland is at the very bottom of the pit of shame and calamity....many of us....have one and the same thought. It is a simple one: What will become of us next?... We will have to pay for the past with incredible labor and the rigorous poorness of life.... Pay for the madness of the October days, for the independent traitors, for the corrupted workers, for the insane use of the money-printing presses....for everything! And we are paying."

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This was written by M.A. Bulgakov in 1923. How little has changed in Russia in 70 years!

Russian society is already starting on the election campaign, when there will be a rich harvest of promises, slogans, bribes, and fact-juggling. How does this political beau monde appear in the eyes of the public at this time?

The data presented below are based on the results of several recent "gauges" of public opinion.

The movement of G. Yavlinskiy, who is known as a level-headed reformer economist, appears to be the undoubted leader on the right flank of the political forces. By virtue of the high personal approval rating of G. Yavlinskiy (according to the polls, he is in the lead in the majority of regions of Russia), this movement's electorate has 10-15 percent of the vote.

V. Chernomyrdin's Our Home Is Russia movement is in a dual position. On the one hand, the very high sponsorship of this movement on the part of the president has automatically focused on the personality of the prime minister and his own "sins" (according to the polls, only one-third of Russians support government policy) and the "sins" of the entire presidential host (approximately 60 percent of Russians have a negative view at the present time of the president's activity). On the other, it is hard to exaggerate the financial power and other possibilities of the machinery of government. In sum, it would seem that the V. Chernomyrdin bloc could expect 5-10 percent of the vote.

Ye. Gaydar's Democratic Choice will hardly surmount the 5 percent mark, probably, as distinct from B. Fedorov's "liberals," who could muster somewhat more than 5 percent of the vote.

Yu. Luzhkov, mayor of Moscow, has great potential. The big contributions to the civic improvement of Moscow and the restoration of the places of worship that are down to his credit and the financial power of various financial and industrial groups and also the support of Moscow's mayor-oriented news media could easily secure for the mayor of Moscow 10-15 percent of the vote. If, what is more, Luzhkov does not wish to take part in the December parliamentary elections, the reserve of his "good deeds" could perfectly well be claimed by June of next year.

On the "left" wing of the political forces the most influential are the parties of G. Zyuganov and M. Lapshin. It may be assumed that Zyuganov's Communist Party of the Russian Federation could muster 10-15 percent of the vote, and Lapshin's Agrarian Party, 5-10 percent. I. Rybkin's Accord movement has certain potential. But it would seem that the speaker is being done a bad turn by the "umbrella" of the president, who has repelled from Rybkin the majority of his opposition-member allies, that has been opened over him. Nonetheless, Accord could count on the support of approximately 5 percent of the electorate. This makes the potential Lapshin-Rybkin alliance a considerable political force.

The national and patriotic parties are in a "perpendicular" direction to the democratic movements, as it were.

It would seem that there is a manifest exaggeration today of the degree of danger of the accession to power of the Zhirinovskiyites. An analysis of the data of the Institute of Systems Analysis and Sociology shows that at the coming elections the LDPR [Liberal Democratic Party of Russia] will take 5-10 percent of the vote.

The true favorites of the national-patriotic forces are Yu. Skokov, former boss of the Russian Federation Security Council, who is now head of the Congress of Russian Communities and the Federation of Commodity Manufacturers of Russia, and former Vice President A. Rutskoy (Derzhava movement). Yu. Skokov has support in the industrial and financial world and enjoys influence among the regional elites. Yu. Skokov's potential difficulties are connected with the fact that at the present moment he has "insufficient recognition," and this political figure is barely known as yet in the heartland. A plus for A. Rutskoy, evidently, will be the switch to Derzhava of the strong organizer V. Kobelev, who at the last elections to the State Duma was the mastermind of the success of the LDPR's campaign. Each of these movements (Skokov's and Rutskoy's) could lay claim to 10-15 percent of the vote.

Other national and patriotic movements and parties do not have sufficient independent strength at this time. But the Democratic Party of Russia of S. Glazyev and S. Govorukhin and also S. Baburin's Russian National Union could provide a pronounced vote "makeweight" in the event of their "coparticipation" in this bloc or the other.

The political weight of General A. Lebed is growing rapidly. In the majority of regions of Russia Lebed has, as sociological gauges have shown, joined the trio of most popular leaders. His personal approval rating is today inferior only to G. Yavlinskiy's. The explanation of this phenomenon is simple: The views, biography, and even the outward appearance of Aleksandr Lebed are at the present time associated in the public mind with the image of an honest and strong patriot capable of halting the collapse of the state and reining in crime and the embezzlement of public funds. It is reasonable to believe that the political bloc in which A. Lebed participates may boldly look for an extra 5-10 percent of the vote at the elections.

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Regional Affairs

Indinok Speech for Our Home Is Russia

954F2949A Novosibirsk SOVETSKAYA SIBIR in Russian 28 Jul 95 pp 1, 3

[Report of I.I. Indinok at the Novosibirsk Oblast conference of the Our Home Is Russia all-Russia social and political movement on 18 July 1995: "Politics and Economics of the Transitional Period"]

[FBIS Translated Text] Esteemed Conference Delegates! Comrades!

I would like to begin my speech with a quotation from the collection "Voices From Russia," which was published almost 150 years ago by Herzen and Ogarev: "Listen to me calmly, without anger or prejudice, as should every Russian when it is a question of the most precious interests of Russia, which we all equally love and equally live by its happiness, honor, and glory and its present and future."

I believe that these words could serve perfectly well as the motto for the program of the social movement, the question of the creation of a branch of which in Novosibirsk Oblast is the subject of today's conference.

For three centuries Russia has lived in the constant fragility of the forms of social life. The past three years have in terms of depth of social transformations been unparalleled, evidently, in our three-century history.

The movement we are creating is moving into the political arena with beneath its feet both the rubble of the old and the shoots of a new society. But how to clear away the accumulated debris without harming the young shoots here?

The observance of two conditions is essential for this: The state must be answerable to the nation, and the people must be answerable to the state and society.

Two circumstances are at the root of the extraordinary situation that has come about in Russia at the present time. The first is that the state has absolved itself of obligations to its people, the second is that the population, a substantial portion of it, has divested itself of responsibility for the fate of the fatherland and disavowed its own history.

At this troubled time a fateful role was performed, as has been the case in our state repeatedly, by an absence in the consciousness of part of the intelligentsia of elements of a healthy conservatism and a failure to understand the danger of national catastrophe.

The delusion rooted in the minds of many compatriots that society had hitherto been proceeding along the wrong path and that it should destroy the existing edifice of our common home for the sake of a renewal of the world is shaking the moral foundations of Russia to their foundations. Whence such assurance that things will be better if we start everything all over again?!

The history of mankind teaches that painful problems cannot be overcome by a radical destruction of existing social structures. Only with the preservation of the best traditions and the distinctiveness of the culture is the stable development of society possible.

Economic reforms implemented without regard to the historically evolved forms of social relations and traditions and based on a doctrine according to which previous history is nothing but a succession of mistakes and delusions will sooner or later lead to results that are the direct opposite of the intentions and proclaimed goals.

The question of precisely which path of development is suitable for Russia is not as obvious as it appears to some people. Many foreign politicians and scholars, incidentally, are not that unanimous in their estimation of the acceptability for Russia of the Western model of social development.

The inimitable culture of Russia and the spirituality of its multinational people were shaped over centuries at the intersection of the civilizations of East and West within the borders of a Eurasian state. The Russian national consciousness is characterized by a spirit of collectivism, faith in Goodness, Truth, and Justice, a profound spiritual life, and a tolerance of the customs and faith of other peoples. A blind copying of the way of life of both the West and the East is disastrous for Russia. The destruction of the historically evolved values combined with the present economic devastation could bring the country to perdition unless society can comprehend what is happening in time and organize itself to overcome the dangerous trends.

Among the multitude of problems which our society has encountered on the frontier of the millenniums is a problem distinguished by particular seriousness and painfulness. The problem of Russia's state structure.

The state, as world historical experience shows, functions the better, the more coordinated and organized political, economic, cultural, managerial, and other types of activity in society are.

State life in Russia has been disorganized with the elimination of the command system of administration, which possessed a clear-cut distribution of authority between different levels of power and strict control of the soundness of the functioning of the entire state mechanism.

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This is not a theoretical conclusion but the status quo of our society.

Decisive significance in the work of the organs of state administration is attached, as we all know, to the following factors: qualifications, responsibility, stability, continuity, and a clear-cut distribution of functions among different levels and branches of power.

But before demanding of the organs of state administration the realization of these conditions, it is necessary to determine the goals binding on the state and society, goals which in the form of certain reference points operate for a sufficiently prolonged interval of time and ensue consistently from one another, providing a dynamic picture of the transition from goal to goal or from one intermediate state to another. This would be a kind of script obligatory for all participants in the action, for the whole of society.

The activity of the country's population without a goal and without a script (in social and political life, in the formation of the organs of power, in production, and so forth) produces, aside from problems and conflicts, precisely nothing.

To allude to the Our Home Is Russia social and political movement, I would term the main goals of this movement:

the well-being, health, and security of each individual and society as a whole;

the dignity and self-respect of Russia and Russians;

a democratic state, in which legality and order are predominant and in which the authorities are subject to the control of society via the mechanism of free elections;

the state structure of Russia as a federation of peoples and regions in which the initiative of the components of the Federation is bolstered by the political will of the federal authorities;

the implementation of socioeconomic reforms whereby man may labor efficiently, creating benefits for himself, his children, and his motherland.

Against the background of all-state goals and the dynamics of the process of their realization, the goals and processes of their realization from the angle of individual territories and regions should be shown, in addition.

I shall express here several of what I consider to be fundamental considerations on the problem of federalism and regional policy.

Pondering the development of the Russian Federation and the regionalization of the socioeconomic reforms, there is no avoiding certain contradictory circumstances.

On the one hand the country is experiencing an extraordinary period requiring the centralization of political and socioeconomic decisions; on the other, many problems may be resolved only with the relative independence of the components of the Federation in the financial and economic, investment, and even foreign economic spheres.

On the one hand the free market and a single market space are incompatible with the sovereignization of the components of the Federation; on the other, the process of the development of ethno- state formations continues, and smaller and smaller regions are furnishing themselves with the attributes of state independence and presidents endowed with inordinate powers.

Under the current conditions we must make a strict choice: Either we really move toward the market or we continue under the slogan of "liberation from totalitarianism" the disintegration process, which is turning the market into a flea market. If we opt for the market on an all-Russia scale, our Federation must objectively move in the direction of the constitutional, not treaty, principle of formation, with the utmost support of the national singularities of the development of the republics that are a part of it.

The constitutional principle of the building of the formation of the Federation is important because serious processes of the redistribution of national income effected by means of the state budget are inevitable in our country. Russia is, after all, all too heterogeneous a conglomerate of regions at different stages of social development and with different economic potentials. Traditional societies are the neighbors here of developed industrial areas and even with certain interspersions of the postindustrial type. It is clear that the more developed regions would objectively, by means of centralized decisions, share some of their income with the less developed regions. Such centralized decisions do not mean, though, the abandonment of the decentralization of economic life. We are talking about the controllability of this process of decentralization, which should under no circumstances grow into total autonomization with the preservation merely of formal membership of the Federation.

It is clear that the fuller the legislative backing for the sphere of the relations of the center and the regions, the less the malfeasance there will be on the part of officialdom of all levels. And, of course, it is necessary to flatly reject the nonprescriptive,

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"personality" approach to the relations of the center and the regions.

We here, in Siberia, have a clear sense that an aspiration to the ever greater concentration of power is genetically embedded in the central organs of administration. Whence the emergence of certain "oblast" ideas and actions locally. But we understand full well that the process of "sovereignization" within the framework of a federative state has its limits, overstepping which is impossible without violating the integrity and unity of Russia.

Siberia will never again wish to be a hostage to the central authorities, but there is no reason or sense in Siberia involving itself in the pointless business of the disintegration of a united, but federative, Russia. Siberia could ultimately resolve its numerous problems itself. But this path is inefficient, long, and unfair, and illogical.

Creating a new economic space, the Russian Federation has at its disposal enormous potential possibilities of the economic mechanism, which are being used as yet only to a negligible extent—a fact predetermining all other difficulties of the life of the people. Thought should undoubtedly in this connection be given to the question: Does the adopted constitution provide for the achievement of the model of a state structure where there is a considerable improvement in the socioeconomic situation of each component of the Federation individually?

Of course, however the society for whose development the ruling political circles assume responsibility is reflected in the law and whatever the ideas and promises they put to the verdict of referendums, there will always be questions that remain outside of any comprehensively drafted constitutional action program. It is something else that is more important: Does the constitution demonstrate methods with the aid of which the current problems can be resolved?

Without a shadow of doubt, the new constitution rests on Russia's firm commitment to democracy and is based on human rights and liberties, and its strategic goal is the country's prosperity via economic independence and justice. This conclusion cannot be denied since it is stated as a principle of the constitutional system of the Russian Federation. But the basic propositions of democracy demand the consideration and enshrinement of so-called collective rights, specifically, the right of the peoples to self- determination. In this connection it is legitimate to analyze the constitution from the standpoints of the preservation of the unity of the Federation inasmuch as individual leaders of ethnic elites in the republics, availing themselves of the support of the people, are intensifying the policy of the sovereignization of their territories and employing pressure tactics in relation to the federal state authorities. This development of events continues to serve as grounds for pessimistic forecasts concerning the future of Russia.

The debates on the question of Russia's federal structure and the specific steps in the sphere of constitutional development have highlighted three possible alternatives of the evolution of the state organism:

Russia as a constitutional federation, that is, a state with centralized political authorities and relative administrative autonomy;

Russia as a treaty federation based on the principles of the voluntary nature of the sovereign states' membership of the federation and delegation to the latter of rights ensuing from a treaty;

Russia as a union exercising individual state functions, but gravitating more toward a confederation.

The last alternative is mentioned rather as a hypothetical outline of the possible structure of the state, but it corresponds to the interests of republics endeavoring on the wave of democratic reforms to obtain full political and economic independence. It should be emphasized that the new Constitution of Russia contains definite legal prerequisites for the realization of all three alternatives of the development of statehood. Evidence of which is, specifically, the treaty process of Tatarstan and Bashkortostan with Russia, more precisely, with the central authorities.

It is hard to say which of the above-mentioned paths could secure the best conditions for a rapid rise in the well-being of the peoples of Russia and the democratization of social life, without which the revival of the country is inconceivable. It is well known, however, that modern democratic states show a tendency toward the expansion of regional authority and local government: Germany, France, and Great Britain are such, for example. Nor is there any doubt that in countries with great ethnic and geographical diversity, democracy and federalism can and should go hand in hand.

The question of whether we should aspire to preserve the unity of Russia at any price, even at the price of a retreat from democratic principles, is a pseudo-question, in our view. In reality, the root of the problem lies in an entirely different plane, namely, in the sphere of political and legal backing for the socioeconomic reforms in Russia.

It is becoming obvious today that these reforms have come up against deformed and inefficient political and highly imperfect legal systems of society.

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I have dwelt in more or less detail on questions of federalism and regional policy because it is in this sphere of the life of our society that, perhaps, the most dangerous development trends for Russia are focused, of which the events in the North Caucasus are convincing proof.

Recognition of this fact insistently dictates to all of us the need for the speediest elaboration and practical implementation of a program of national-state building and socioeconomic development of the Russian Federation which takes account of the particular features of the current transitional period and with which a majority of Russians are in sympathy. This must, naturally, be a practicable alternative.

Who should do this and how—this is the question. The executive should begin to do this, in our view. This is today the sole efficient authority in the country capable of performing this work. This conceptual work should be performed precisely by the latter and then confirmed at the level of a law and the mass consciousness. Under any political system, if it wishes to survive, the results of people's labor must be pooled and multiplied, and this is possible only when people make common cause in harmony and interaction. In our specific case the mutual understanding of all our citizens achieved at the level of the individual and group consciousness should be enshrined and guaranteed in legislation. This produces the maximum positive effect.

But what do we have in the sphere of legislation today?

The current law of Russia, on account of the publication of a large number of mutually contradictory statutes, presidential edicts, government decrees, and prescriptive-legal enactments of components of the Russian Federation and also as a consequence of the decisive break with the old practice of social relations, primarily with the old sources of law, is in an extremely chaotic state.

Being a reflection of social life, the law becomes clear and stable when elements of stabilization take shape in life itself and the dominion of the new order based on a clear understanding of the law by each citizen is confirmed by the sympathies of the vast majority of the nation. On the other hand, it is the organizing activity of the state, primarily law-making, which is the most important factor of stabilization and the establishment of the new order in society and the state.

The state, by all accounts, may manifest itself as a subject of organizing activity only when the people at the helm of state act single-mindedly, on the basis of recognized national-state interests, at all levels of the state pyramid. I repeat, at all levels.

The task of formulation of the strategic goals of the activity of the state structures should begin to be tackled from above. What has been said should not be interpreted as a disregard for all lower levels of power, as a dismissal of them. Such an interpretation has a bad smell. It is unconstructive, egotistical, and contrary to the principle of the hierarchical nature of the system.

The conceptual accomplishment of the task is, in principle, recorded in the highest law of our state—the constitution—and the problem now is to descend and detail the task, switching to the lower levels of prescriptive documents.

The formulation, legal fixation, and further realization of the concept of the development of the state and its main, decisive goals require properly organized organs of state power which operate efficiently.

As far as the mechanism of the formation of the command system of power and its operation is concerned, we have sufficient experience of this. But the task for us in this respect is a fundamentally new one. The organs of power are now formed on an elective basis. They are replaced periodically and frequently. A multitude of diverse- minded groupings, which are at times not simply in opposition but hostile to one another and have mutually exclusive aims, take part in the elections. The level of qualifications of the candidates for elective office is not in all cases sufficient.

Organs of power formed under such conditions will not be in a position either to formulate all-state and regional goals or to realize such goals even were such goals to exist. The all too unqualified composition, the all too great a spread of positions, the absence of a system of officials' answerability to society, the absence of continuity in the work of the organs of power. This is an incomplete list of today's problems, but these are the most fundamental ones, perhaps.

This knot of problems is standing in the way of the state and society en route to the formation and realization of the concept of the country's constitutional development. Disentangling it is one further fundamental task of ours, and it is paramount. It cannot be accomplished by the waving of some magic wand. Its accomplishment requires the appropriate plan of action on the part of society, parties, public organizations, and the organs of power. It should be acknowledged immediately that there is no conflict-free path in the resolution of these problems, and for this reason we need to be guided here by the interests of society and the state, expediency, and efficiency, not endeavor to satisfy everyone. This last action alternative is futile, and it is its existence, incidentally, which we are observing and experiencing.

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Not everyone can or wants to see the light suddenly and simultaneously, and for this reason some people must perform preparatory work.

What kind of work is this? It may in two clauses be presented as follows:

the formation of a political structure of society that is capable under the conditions of free elections of creating and supporting authorities at all levels of leadership which are qualified, responsible, noninimical, and successive in realization of the purposes of the state;

the formation of state authorities capable of formulating and legislatively enshrining all-state goals adequate to the present state of the country and a process of their consistent realization.

Today's multiparty political palette appears unpromising for the performance of this work.

Take a cursory look through "Guide to Parties of Modern Russia," which the conference's organizers prepared for you, and you will have to conclude that the modern political parties are too lacking in power and that none of them, nor all together either, have the above-mentioned approach in a resolution of the state problems in question, and their present concerns are far removed both from these problems and from work on their resolution. Such an assessment will seem harsh to many people, probably, but there are no facts to refute it. Instead of concentrating the social and political energy of the population, today's parties are striving with might and main to atomize it. Each party is advocating "unity of the democratic forces" here, only around itself, naturally. It would seem that the present political environment is not capable of forming an efficient political structure of the democratic society. An efficient political structure could be considered one that could form at the elections qualified, hard-working, responsible, and successive state authorities at all levels and throughout the state. The authorities that are created by the present multiparty, permanently conflict- ridden system wholly reflect within themselves its internal animosity, unpredictability, inconsistency, and discontinuity. Such authorities are unfit for creative state work.

A hopeless situation, it would seem. The state cannot develop normally because there is no concept of its development and no correctly organized authorities capable of realizing this concept. The corresponding authorities are lacking because there is no political environment or the necessary political institutions for its formation. Society is split along various lines into a multitude of opposed or inimical groupings.

The sole force preventing the spread of chaos within the country is, I repeat once more, the system of the executive, the administration. It, evidently, should assume new, additional functions pertaining to the organization and ordering of political life and the political structure. This conclusion might seem strange to those who are familiar with Western liberal democratic tradition: It is not governments that create parties in the West but parties that form governments. But we, alas, live in Russia, where much is done the other way about.

I would like to highlight as the main tasks of our movement the following:

a strengthening of the unity of Russia as a federative state;

the constructive interaction of all branches of power in the name of the interests of the people;

the creation of a really efficient Federal Assembly oriented toward the adoption of laws that facilitate a way out of the crisis;

the utmost support for sober-minded and constructive forces in Russian politics and Russian society; the erection of a barrier to irresponsibility, demagogy, and extremism;

the unification of all for whom action, responsibility, democracy, and a great Russia are not simply slogans for winning votes at elections and of all who have proven their professionalism and who know how to answer for their actions and to recognize their mistakes and to correct them.

The difficulty of the set tasks is that it is essential to create not a new version of a one-party system but a democratic, concrete system forming representative and executive authorities at free elections. One, moreover, that is free of all the shortcomings that are possessed in abundance by the present multiparty system, which is created spontaneously and which lives for the accomplishment of it is not known which state tasks. And what is particularly difficult and unpleasant is that the new political structure has to emerge in place of this spontaneous and unproductive multiparty system. As far as today's parties declaring their commitment to these transformations are concerned, they cannot withstand competition on the part of a strong political structure specially created for single-minded work on the realization of the constitutionally established purposes of the state. They will either transform themselves accordingly and blend in with this new political structure or degenerate and die out.

Esteemed delegates! The time has come when each honest citizen of Russia has to determine his position—

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the kind of Russia he wants to build, the kind of economy and power that there should be.

The past three years have revealed increasingly obviously the socioeconomic unsatisfactoriness of the results that have been achieved in the course of the realization of radical economic reforms in Russia. The slump in production continues, albeit not at the same pace as in previous years, and the level and quality of food consumption by many strata of the population are declining. Simultaneously the spiritual and moral potential of society is collapsing, social programs have been wound down, there has been a sharp exacerbation of the crime situation, and depopulation processes have actually begun in many regions.

Current economic policy is leading to the large-scale redistribution of national resources, where a considerable proportion of the wealth is accumulated by a small stratum of the populace.

An inauspicious social structure, in which the proportion of the population with low purchasing power (workers of large industrial enterprises, agricultural employees, the intelligentsia, retirees, and others) is approaching a critical value and when the continued growth of the needy strata could at the political level cause serious social conflicts (strikes, revolutionary armed protests), and at the economic level, profound protracted stagnation, is taking shape in society.

The decline in the living standard of the main masses of society is at the same time a cold shower for investment policy, which, combined with other factors, is to effect the structural reorganization of our deformed economic system.

The foundations of market relations laid by the Ye.T. Gaydar government made it possible to accomplish a number of important economic tasks, but in the absence of plan-oriented actions to combat inflation, which under the present conditions is national task No. 1, reforms pursued in this way have, evidently, exhausted their possibilities and cannot continue to be pursued without their intensifying the economic difficulties.

The end result of the trends that have taken shape under such conditions is quite obvious: the collapse of Russia and the conversion of its labor, intellectual, and natural potential into a market of cheap manpower and a raw material appendage of other countries.

The nature and content of the measures for a transition to market methods of regulation of the national economy have proven to be severe in relation to the vast majority of the population. They are at the same time engendering a multitude of other destabilizing factors requiring no fewer efforts to overcome them.

The inadequacy of the measures to the particular features of the economic crisis is manifested, specifically, in the fact that new varieties of disproportions that are hard to eliminate are arising— the patently abnormal correlations in the level of the prices of many types of product, the skewed differentiation in the labor compensation and income of various categories of employees, the major and unexpected shifts in the structure of demand, and so forth.

All these measures, devastating from the viewpoint of the end result, are leading us by the shortest path to the destruction of the production potential and stagnation at the bottom of the economic crisis and to the worst social manifestations: the stratification of the populace unrelated to labor contribution to social production and its lumpenization, complication of the criminal situation, an increase in opposition sentiments and social aggressiveness, and a revival in this form or the other of totalitarianism.

In our opinion, the measures that are being adopted do not correspond to the tasks of reform by virtue of the fact that they are based on the extremely simplistic and deformed notions of the authors of the reform concerning the laws of economics, the mechanisms of market regulation, and the reasons for the present economic state of the national economy. This fact is becoming increasingly obvious, and the intention to continue to pursue the same policy will cause ever more resistance with a further complication of the situation in the economy.

The main conclusion that can be drawn from an analysis of the economic situation is that the reforms, while having brought about radical changes in the sphere of finances and in trade—throughout the sphere of circulation as a whole—and having transformed business relations appreciably, have not exerted a positive influence on production and on its material base. Backward inefficient technology continues to function in industry and is not being replaced by new types, substandard, uncompetitive products are being manufactured, labor and material costs are not declining, and a resource-consuming and overweight structure has been preserved and is being reinforced even. It may with every justification be maintained that unless positive changes in production itself, its branch and engineering structure, and its efficiency are secured, all the reforms, however resolutely they are pursued in the sphere of monetary and commodity circulation, will be doomed to fail.

The national government's loss of the levers of active influence on production, the reduced manageability of the economy, and the false reliance on "self-regulation" were the cause of this one-sided effect of the reforms.

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Things were made worse by the political opposition of the different branches of power, which ultimately developed into open armed confrontation.

It is essential first and foremost, therefore, to increase the manageability of the economy and to impart to it a social focus.

The creation of a socially oriented, efficient, competitive, high-technology, and flexible market economy capable of developing dynamically on the basis of the acceptance of progressive achievements of science under the conditions of developed world- economic relations and Russia's federal structure with assured economic invulnerability and environmental safety is increasingly clearly the strategic goal of an early nature for the transformation of the economy of Russia.

There is no doubt that Russia will have to negotiate a number of stages and, primarily, to emerge from the crisis en route to this economy. It is essential for a solution of this priority problem to concentrate in the transitional period on the accomplishment of the following tasks:

the implementation of a set of anti-inflation measures and the restoration of commodity-money balance;

a revitalization of production by way of an increase in investment activity and the creation on this basis of a chain of effective demand both for investment resources and for items of consumption, the expansion as a result of this of the revenue base of the budget, and, ultimately, the normalization of the financial and credit sphere;

the ordering of tax legislation, pursuit of a financial and credit policy stimulating the growth of production and contributing to the business activity of all participants in the market, and the implementation of government measures to regulate the financial market with the aim of overcoming the "pyramid syndrome" on the securities market and converting the stock market into an efficient means of the public's participation in long-term investments;

an improvement in the methods of privatization in order to create a truly market environment for the functioning of the economy and the conversion of this process from a consumer of state resources into a means of expansion of the revenue base of the budget;

efficient management of state and municipal property;

the creation of a competitive environment in the economy, the decisive surmounting of monopolism, including state monopolism, and an acceleration of the process of the creation of market structures, including industrial and financial corporations, holding companies, transnational companies, and so forth;

the development of a package of antitrust measures making it impossible to benefit from a producer's monopoly position; the creation of mechanisms and state structures providing for the realization of antitrust legislation;

the development and introduction of new mechanisms of the material stimulation of production removing the factors holding back development and ensuring the use of all reserves and scientific and technological achievements;

the introduction of a government monopoly on exports of raw material resources and products of their primary processing and the government's active stimulation of imports into the country of equipment and new technology;

the implementation of agrarian reform based on new mechanisms of rational land use; the adoption of emergency measures to restore agricultural production;

the creation of a package of prescriptive documents shaping in practice the priority conditions for the production of food and more advantageous economic conditions for production activity compared with brokerage activity;

the transition to government regulation of wages ensuring equal pay for equal work, regardless of forms of ownership;

the adoption of new principles of the distribution of budget monies based on the principles of social justice; restoration of the system of social service of the populace via public consumption fund channels;

the priority allocation of resources for the support and protection of society's intellectual potential (health care, education, schooling, sports, science, culture, and art).

The adoption of such an economic program would, I believe, signify an adjustment of the purely liberal reference points in economic policy and a strengthening of the social aspect of the reforms.

The basis of the social orientation of the reforms to be pursued is the priority allocation of funds of the state budget for the maintenance and development of the social sphere in relation to other types of government spending. There should be more of the former than in the pre-reform period thanks to a reduction in military spending, the elimination of speculative income of the sphere of circulation, and the acquisition of new sources of funds from the use of facilities of public ownership and also a growth of the efficiency of social production as a result of the application of more consummate forms of the stimulation of labor.

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The implementation of the above-mentioned measures, some of which could at first sight appear antimarket, should not, of course, be dogmatic and divorced from the real state of affairs. The limits of the applicability and the extent of the actual "interference" of the state in the economy should be determined primarily by the fact of how and to what extent the steps taken contribute to the development of a competitive environment and the formation of a social structure with the sufficiently high purchasing power of all groups of the population. It would be appropriate here to quote the remarks of L. Erhard, the German economist and organizer of economic reforms in postwar Germany, who observed in his book "Prosperity for All" the following: "With the former practices there was on the one hand a very small top stratum, which, in the sense of consumption, could permit itself everything, and, on the other, a bottom stratum of the population—numerically very extensive, but with insufficiently high purchasing power. In the reorganization of our economic practices, therefore, we had to create the prerequisites for overcoming this situation, which was contrary to the progressive development of the social structure, and at the same time for overcoming, finally, the animosity between 'rich' and 'poor'.... The most efficient means for achieving and securing prosperity is competition. It alone affords all people an opportunity to avail themselves of economic progress, particularly in their role of consumers. It does away, on the other hand, with all privileges that are not the direct result of increased productivity."

We are sure that the whole population of Russia recognizes the need for political and economic reforms. But these reforms must not destroy all that was achieved in former times—social concern for the population, free public education, and the defense power and greatness of our Russia.

We believe that the state is required to support to the maximum native science, culture, and education, protect the moral foundations of society, and promote a strengthening of the family, which remains the basis of any state.

Concern for children is the highest duty of the state. Children are not to blame for the fact that the reforms are not being implemented as contemplated. Children cannot be deprived of childhood by references to the country's difficult situation. I am convinced that the level of civilization is gauged by the state's attitude toward children, women, and old people.

We have made our political choice and have decided to unite our forces with the defense of stability, in the realization of economic reforms of a social focus, and in defense of law and order in our country.

We make no secret of the fact that the choice did not come easily to us. But we have made up our minds to unite our efforts because we understand that if active and honest people look on in silence as Russia suffers, posterity will not forgive us!

We are gathering around ourselves those to whom our common home— Russia—is dear, who want progress without revolutionary upheavals, who are tired of the disorder and lies, and who are devoted to their fatherland and intend to bequeath these sacred feelings to their children and grandchildren.

In forming the Novosibirsk branch of the Our Home Is Russia all- Russia movement we state candidly that we are joining this movement as a group of people with our own views and convictions and our own identity; we will champion with might and main the interests of the region in which we live.

For Siberia, whose economy was over decades created on a completely nonmarket basis, purely market relations based on wild competition, under the conditions, what is more, of the monopoly position of a large number of commodity producers, is flat-out disastrous. The socioeconomic situation in many localities of Siberia today is such that without the support of the state a substantial part of the population would on account of general drunkenness, malnutrition, and indigence be in a state of moral and physical degradation (moving the people from these territories is, as you yourselves understand, simply impossible). My familiarity with many of the farms and villages of the oblast gives me the right to make this dreadful forecast.

Siberia and Siberians undoubtedly deserve greater attention on the part of the central government than is the case today. I believe that the opinions of Nikolay Mikhaylovich Yadrintsev of Siberia which he expressed a century ago in the book "Siberia as a Colony" apply almost as well to Siberia's present situation: "Despite the fact that the Russian people have by their settlement in the North and the East clearly proven their colonial capabilities and that we have before us vast possessions in the world and a young region, full of life's instincts and capable of development—a region that has, perhaps, a great future—we cannot conceal from ourselves that we have as yet far from availed ourselves of all the propitious conditions of our position.... On many pages of the contemporary life and history of this region a bitter note is heard and a gloomy picture of its real position is painted."

For a change in the position of Siberia we need the political will and professionalism of the people who will work in the representative and executive organs of power, in the country's parliament, elections for which

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will be held on 19 December of this year, included. It is such deputies—convinced Siberians, self- possessed, strong, skilled, smart—whom we all in the movement's Siberian branch must train.

Yes, we are creating our movement in order to actively influence the formation of the corps of deputies. Enough of shamefully averting our gaze from the question of power, when the fate of the fatherland is at stake. We do not have the right to allow the elections and the training of personnel for work in the organs of state power and local government to simply drift along. People with great experience of life and the corresponding skills are reluctant, as a rule, to become mixed up in political struggle, and for this reason political intriguers, whose main weapons are cheap populism, lies, and slander and whose driving motive is personal interest, often the opposite of the people's interests, frequently take part in the election battles. Having all the resources for serving themselves at the expense of the nation, these people can frequently be caught out in malfeasance since the first thing they do upon assuming office is to subject to a thorough revision all that was done before them: standing orders, rules, provisions, laws.

We all must shape a corps of deputies whose members do not see Russia from the "eminence" of their place of employment, farm, enterprise, and city but who can represent and recognize all the main problems of the oblast and Siberia in a linkage with all- Russian problems.

They must be people with a broad imagination who have felt in their own lives the entire contradictoriness of our Russian legislation.

They must be people who are disposed toward analytical and legislative work and who have the appropriate professional training.

They must be people who are morally prepared to bear the responsibility for the fate of the country and who will not point the finger either upward or to the right or downward.

They must be people on whom we can rely on their defending our interests, who will be accountable to us, and who will be responsible for us.

And the first thing which we must note when choosing candidates for elective office is not the timbre of voice or polemical ardor but the practical and moral attributes which the candidates possess.

It is still too early today, probably, to talk about the specific organizational measures we will have to plan and implement in the very near future. I hope that by the collective efforts of the members of the movement, primarily of the executive committee that we are to elect today, we will prepare for Moscow proposals pertaining to the movement's program and draw up specific action plans for the management of election campaigns. We will at one of the upcoming sessions of the council of our branch consider a set of questions pertaining to preparations for the upcoming elections, for the nomination of our candidates for the State Duma included.

Concluding my speech, I would like to remind you of one recent event.

Our country greeted with tremendous enthusiasm the 50th anniversary of the Great Victory.

Analyzing the factors and sources of the popular strength that were engaged at that time initially for the victory and then for the restoration, it has to be unequivocally concluded that the main factor and resource of our people in the 1940's and 1950's were their moral will, spiritual enthusiasm, mass heroism, and resolve to oppose the dreadful threat to their existence. And so it has always been at abrupt turning points in the fate of our motherland.

Whether we can derive from our historic experience great examples of the unity of the people for the accomplishment of nationwide tasks depends only on us, comrades!

Thank you for your attention.

Economic Issues

*Central Bank Policy Seen Leading to IMF Credit Cutoff

954F2915A Moscow SEGODNYA in Russian 19 Jul 95 p 1

[Article by Aleksandr Bekker: "The Second Bottom of the Central Bank's Policy: The Inflation Gift for the Elections to the State Duma"]

[FBIS Translated Text] The IMF mission has been in Moscow for a week. According to the 10 March memorandum, it is doing the monthly economic monitoring, the final product of which will be translated into the fund's board of directors' decision on Russia's eligibility for the next tranche of the stand-by reserve credit. During previous visits, the work of the mission and Russian agencies was dominated by the "no comment" style. This time, as early as 13 July the Minfin [Ministry of Finance] said publicly that "the Russian side will make every effort to remove all contentious points in the course of negotiations and bring them to a successful conclusion." On the same day the head of the IMF's permanent mission, Thomas Wolf, with an alacrity untypical of this organization's functionary, stated: "I think that they (the negotiations—ed.) will be satisfactory and Russia most likely will receive the fifth tranche of the credit." Yesterday the Minfin announced

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that the mission has no problems regarding the government and the Central Bank meeting the main financial indicator tracked by the experts.

As is known, the joint government and Central Bank statement on the 1995 economic policy, sent to the IMF headquarters on 10 March, consisted of two parts: The main part of the text, made available to the mass media, and, to our knowledge, an appendix to it, which was not published in Russia. To fill this gap, SEGODNYA offers readers a table: It almost precisely reproduces the official table of the main parameters being monitored. Calculation of the actual parameters for the first half-year was carried out by the newspaper's experts.

Agreement on Reserve (Stand-By) Credit

Quantitative Quarterly Criteria of Program Implementation (as of 1 July 1995)

	Program	Actual	Program	Actual	Average monthly growth
	trillion rubles		increase in percents		
1. Financial organs' net domestic assets (NDA)	12.2	6.1	130.4	115.3	-
2. Monetary organs' net demand on the federal government	13.2	6.3	118.3	108.3	-
3. Aggregate deficit of the federal government	25.6	26.8	-	-	-
4. Monetary organs' net international reserves (NIR)	-0.4	4.9	82.6	313.7	-
5. Monetary organs' gross international reserves (GIR)	1.7	6.0	126.2	192.3	-
For reference: 1. Monetary base	71.0	-	-	147.3	6.7%
2. Money supply	151.7	-	-	152.1	7.2%

Looking at the net domestic assets (NDA) and net demand on the federal government (NDG) indicators, one does not doubt that the economic policy of the White House was very successful. That is, the government did not go overboard with respect to monetary expenditures, having only halfway approached the limit ceiling. Such overfulfillment of the "plan" was the basis of high officials' confident statements.

In fact, we have to give due credit to the executive authority, which perhaps for the first time has conducted a restrained monetary policy. Although the federal government exceeded somewhat the deficit limit, since 59 percent of this deficit was covered—and for the first time—by noninflationary sources (GKO [short-term government bonds] and foreign loans), this parameter too, in my opinion, should be chalked up on the positive side for the White House.

Let us now look at the parameters of net international and gross international reserves. Fulfilling this requirement with a very considerable margin also inspires optimism—first of all on the part of the Central Bank, and second—on the part of the cabinet leadership. One would think that filling up the foreign currency kitty is an unquestionable success. I believe, however, that this accumulation has been achieved at too high a cost. Unlike the government's "restrained" course, the Central Bank had been artificially keeping down the ruble exchange rate through huge foreign exchange interventions. According to the data of EXPERT magazine, just over April-May and the first 20 days of June the bank spent 12.7-14.8 trillion rubles [R] on currency purchases. This jump in emission resulted in an increase in Central Bank assets, which are not counted in NDA. If we add to the table's NDA figures the Central Bank's assets and the increase of credit to foreign states, the indicators will look much less encouraging.

In increasing foreign currency reserves, the Central Bank was forced to increase the cash monetary base: Over a half-year it swelled by 47.3 percent, with a monthly growth of 6.7 percent. The Central Bank nevertheless maintains that this kind of ruble balloon is not inflationary since it is backed up by the dollar equivalent. One could agree with this position on the condition that the pull toward foreign currency is adequately balanced by demand for the domestic, that the money velocity drops, and that inflationary expectations die down.

None of these conditions has truly been met. In unloading dollar savings, the population directed the rubles into the commodity market, making the rubles "hot." Money

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circulation velocity slowed down somewhat but nevertheless remained high—9.5 cycles a year, which clearly stimulates inflation. Bearing in mind that the money supply over the past six months increased at a rate of 7.2 percent, we can assume that until the end of the year inflation will fluctuate within a 5-8 percent range.

These indicators should be adjusted, however. The current deceleration of inflation was brought about by the authorities' strict monetary policy of September 1994-January 1995. Then the "grip" relaxed, and in February-June the money supply grew at a rate of 9.7 percent a month, and the monetary base—12.1 percent. Such indicators (with a seven-month lag) may push the autumn wave of inflation to 8-10 percent. The opposition could not even dream of a better gift for the upcoming elections to the State Duma. Against this background the government's obligation to pay back to the Central Bank the credit of R3.5 trillion it took in the first quarter looks like a trifle.

Aware of the fragility of the fabric of relations between the government and the IMF, the newspaper does not set the goal of undermining these relations by the analysis above. If in response to our concerns that the stand-by credit may be frozen a refutation is issued the same day by the IMF's permanent representation, we will only be pleased. If every SEGODNYA publication contributes to the success of the negotiations and the issuance of another tranche, we are willing to continue writing without even claiming a commission from these tranches.

***Effect of Ruble Corridor on Economy, Banks Assessed**

954E1205A Moscow KOMMERSANT DAILY in Russian 12 Jul 95 p 8

[Unattributed commentary: "The Corridor Is Too Narrow. In Order Not To Lean on the Wall, Banks Are Taking Away the Money"]

[FBIS Translated Text] **With the introduction of a corridor for fluctuations in the dollar's exchange rate, the currency market is losing the last elements of attractiveness. This is what the government and the Central Bank wanted. More aggressive participation by the banks in financing the budget deficit is especially important for them today; otherwise inflation cannot be overcome so simply. For that reason, the Ministry of Finance has been proceeding very boldly to increase the income yield of short-term state bonds lately.**

But They Were Warned, After All...

An event took place last week which predetermined currency market conditions for the medium-term. In accordance with a joint decision by the government and the Central Bank, dollar quotations in the exchange and interbank markets are fated to fluctuate within the limits of 4,300 to 4,900 rubles [R] to the dollar until 1 October. Accordingly, the exchange rate for three months should not rise by more than 7.5 percent or drop by more than 5.7 percent in relation to the mark where it was located at the time this decision was published.

What does this mean? That the income yield of the currency market will be driven into a very narrow corridor and operations in it will be unprofitable for the banks. Considering that the intentions of the government and the Central Bank in this area are very serious, judging by everything there will be no bank operations in the currency market in the long run. At least the volume of sales in trading at the MMVB [Moscow Interbank Currency Exchange] is already declining now. In particular, last week the gross turnover of the exchange market totaled $303.89 million compared with $374.91 million in the last week in June and $1.0826 billion the previous week. The decline in banks' activity in the currency market has been accompanied by restoration of a smooth increase in the dollar's exchange rate, by the way. For the first time in two months, the overall weekly increase in quotations at the MMVB turned out to be positive; the exchange rate rose by 42 points, or 0.93 percent.

The decision to form a "green corridor" may be considered a crucial step in the Central Bank's actions aimed at reducing the attractiveness of the currency market. Before this, the limits of the banks' open currency position were reduced, reservation of foreign exchange accounts was introduced, and a number of measures were taken which led to a change in currency market conditions, along with the financial market as a whole. Sufficient consistency and inflexibility could be seen in the Central Bank's actions from the start, but now its logic is absolutely clear. The decline in the attractiveness of operations in the currency market, a segment of the financial market which is so traditional for banks, should stimulate them to more aggressive action, if not in investment activity, then participation in covering the budget deficit—through the purchase of state securities. Later on, if it comes to that, as far as investments, the banks will have to invest their money somewhere. In a word, the bridge between the inflationary past and the investment future, whose first stone was laid by the presidential message last year, is slowly but surely being built, it seems.

The GKO [State Short-Term Bond]—Asset No. 1

The logic of the process is confirmed by the Ministry of Finance's persistent effort to increase the attractiveness

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of the GKO market. Lately the bond issuer has been actively supporting their high income yield, obviously counting on sufficient reaction from the banks. This is apparent from the auction results first of all. In particular, at the auction held last week, the income yield of the GKO was established at the level of 138.59 percent annually. With the announced volume of the issue set at R6 trillion and a demand of about R3.4 trillion (according to the bonds' face value), the sum of the distribution totaled a little over R2.5 trillion.

Meanwhile, the secondary market for state bonds developed last week under the influence of the trend toward a decline in income yield. This is also understandable. On one hand, the high yield rates of the GKO's recorded at the end of June (about 150 percent annually) contributed to the formation of such a trend; on the other hand, banks' seasonal demand for money lessened somewhat since the beginning of the new quarter, which should have increased the demand for state securities in light of the straightforwardness seen in the dynamics of the dollar's exchange rate.

As far as other state securities are concerned, their markets have been experiencing a crisis in liquidity lately. In particular, the volume of transactions with federal loan bonds declined for the second consecutive week (last Thursday, for example, it amounted to about R660 million). For this reason, we can expect a drop in the prices of banks' applications at the forthcoming auction to distribute the second series of the OFZ [federal loan bonds]. Participants in the market for treasury bonds seldom agree on the price, as before. The increase in the offering of KO [short-term bonds] noted last week did not lead to an increase in the small number of transactions with them; none of the sellers wanted to lower their price. Meanwhile, on Monday the sale price of a KO seemed to begin dropping smoothly (just like the quotations for the state short-term bonds), which gives some hope to the purchasers.

Disproportion in the Credit Market Are Too Obvious

The decline in influence of the seasonal factor has also had an effect on the dynamics of interest rates for interbank credits. Although the value of credits (especially one day credits) fluctuated strongly over a week, the average rates dropped noticeably compared with the end of June. For example, the average value of credits for one to three days in the Interbank Financial House amounted to 114.6 percent annually, which is 85 points lower than the level the previous week (although the maximum prices reached 250 to 260 percent annually). Nevertheless, this category of resources continues to be the most expensive, as before. The INSTAR [unidentified] rate for one day credits, recorded at the level of 61.5 percent at the beginning of the week, reached 163.93 percent annually by the end of the week, which is probably linked with more aggressive operations by banks in the GKO market (at the start of this week, let us remember, an increase in the yield of bonds was noted). One way or another, the volume of transactions concluded with one day resources in accordance with the INSTAR selection increased by R1.5 trillion over the week. The value of credits for a seven day period also declined somewhat, compared with the previous week. In the MFD [Interbank Financial House], they dropped in price an average of eight points to 82 percent annually.

The situation was somewhat different for credits with longer periods; there were also significant fluctuations in price here, but the average level turned out to be higher than the previous one, all the same. For example, the three day credits of INSTAR more than tripled in price (up to 140 percent annually), but the price for resources with a period of one month fluctuated from 18 percent to 115 percent annually (the average price was recorded at the mark of 92.2 percent). In the MFD, the average value of such credits rose from 59 percent to 106.5 percent annually.

The fact that the difference in rates for the credits of various term categories is very small is worthy of attention. At least it does not correspond to differences in the periods for extending credit. This makes the longer credits less expensive in effective terms, which is not typical for a normal market situation unless its participants have firm expectations that inflation will decrease, although even in this case the imbalance in rates seems very obvious. Consequently, we may expect the market to be developed in the near future to eliminate the disproportion that has taken shape, insofar as this is possible.

*Privatizers Pleased by Successful Sale of 'YeES Rossii' Stock

954E1222A Moscow KOMMERSANT DAILY in Russian 19 Jul 95 p 3

[Report by Natalya Samoylova: "Speculators Have Restored the Authorities' Hopes"]

[FBIS Translated Text] **Obtaining budgetary income from privatization has become one of the main problems for Russian financial policy this year. The results of the first six months are extremely inauspicious. The authorities are not losing hope, however. For almost the first time, some justification for these hopes appeared yesterday. The open monetary auction to sell blocks of stock in the "YeES Rossii" RAO**

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[Russian Joint-Stock Company] held at the Moscow Property Fund turned out to be not only the largest of such measures, but unexpectedly successful from a financial standpoint.

The auction created unexpected interest among those taking part in the stock market; the large number of people wanting to take part in the auction and the high level of selling prices attest to this. Blocks of 500-ruble shares—1.09 million shares altogether, or 1.33 percent of the RAO's authorized capital—were offered for bidding. The initial price of a share was 30,000 rubles [R]. As a result of the auction, all 143 lots were sold with prices ranging from R51,000 to R58,000 per share. It is interesting that in the secondary market, according to Igor Golovanov, deputy chairman of the Moscow Property Fund, the price per share will fluctuate within the range of R50,000; that is, the selling price at auction was higher than market prices in any event. Successful auction participants explained this completely normal situation by noting that the purchasers who operate through them (the auction participants were only middlemen, naturally) are counting on an increase in the quotation for the company's shares this fall. No one made any particular secret of the fact that shares were bought at this auction not for strategic investment in the RAO "YeES," but for profit speculation. According to official information, Western capital also showed interest in such speculation in this case.

It is proposed to distribute the funds obtained as a result of the auction as follows: R32.807 billion to the federal budget, R8.351 billion to the YeES RAO, and R1.193 billion to the property fund itself. It should be noted that in this case, federal property was sold not by the Russian Federal Property Fund, but the Moscow Fund (as arranged beforehand with the Russian Fund, naturally), and consequently, it is the Moscow Fund which can claim the earnings. In Igor Golovanov's opinion, his department deserved this completely, inasmuch as about R30 billion has already been transferred to the federal budget for the first six months of the year. More practical considerations also were able to play a role in choosing the seller—the Moscow Fund is freer in determining the times and mechanism for holding an auction, since unlike a federal auction it is not bound by rigid plans and schedules for sales.

A certain portion of the money received at the auction will not be redistributed at all. Over R38 billion earned from the sale of shares, which constitute 0.53 percent of the RAO's authorized capital (this block will be formed from the remainders of the checking auction), will be earmarked for transfer to investment companies which the state still has not compensated for taking part in the collection of vouchers for the checking auctions. Compensation essentially was promised to them in the form of a block of stock in the "YeES" RAO—now it seems that the state has sold this block of stock and will transfer the money to them. Taking into account the fact that an auction is seldom successful, the investment companies will receive an unexpectedly large sum in the form of compensation for their valued services during the voucher era.

Federal Budget Receipts From Privatization in the First Six Months of 1995

From the sale of state and municipal property	R104.7 billion
Stock dividends	R78.9 billion
Rental charge and redemption of leased property	R32.0 billion
Total	R215.6 billion

*Privatization Blamed for West's Inroads in Russian Economy

954E1222C Moscow PRAVDA in Russian 1 Aug 95 p 2

[Article by Yevgeniy Tarasov, "expert" consultant for the State Duma and candidate of economic sciences, and Professor Pavel Filimonov: "The Paper 'Blizzard' Over Russia"]

[FBIS Translated Text] Everything had been prepared for plunder of the state by the fall of 1991. It was necessary only to deflect the people's suspicion about the grandiose swindle being prepared and to assure them that everything was being done for the common good. The voucher was such a focus, and with few exceptions, people fell for this bait. The cost of a voucher was set at 10,000 rubles [R] in 1990 prices. In round numbers, this amount was obtained by dividing R1.5 trillion (the value of Russia's fixed production capital) by 150 million people (Russia's population). So every citizen, regardless of his age, should be able to become the owner of one 150-millionth part of Russia's production potential.

A depersonalized voucher instantly became a means of payment. There was a kind of banknote emission which whipped up inflation. Later on, a person who still hoped for the wealth that was promised invested the vouchers in uncontrolled so-called checking investment funds but has received nothing in return thus far.

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These 88 territorial investment funds under the aegis of the Goskomimushchestvo [State Committee on the Administration of State Property], together with the Ministry of Finance, continued issuing securities that were not secured by anything. Authorization to print such "paper" was received by banks, exchanges, and holding companies. More than 90 "states" were formed in one country and were issuing a kind of money without control and provoking inflation. Structures which do not produce anything were authorized to issue securities. This is why Russia has found itself in an emission "blizzard."

Thus, for example, Mr. Kharshan, chairman of the council of directors of the First Voucher Fund and a friend of Mr. Chubays, became a very wealthy man. GUM, the big department store once known throughout the world, was sold for 113,037 vouchers, although its real value was on the order of $1 billion. The renowned "Uralmash," valued at tens of billions of dollars, was bought by a Georgian for $4 million. In Moscow, 92 casinos, more than in London and Paris combined, are now operating in the palaces of culture and other public buildings sold over a period of two years. A selected circle of people are acquiring more and more physical assets, often for a token payment, but the rest of the public is left with nothing and cannot count on anything in the future. It is not without reason that the German "Freedom" radio station, commenting on the campaign to issue vouchers, called the main "success" of this reform "the freedom to print mass hallucinations of property."

Altogether, more than 60 percent of state enterprises, buildings, and institutions became privately owned during the voucher stage of privatization. Consumer prices increased 1,000 fold, but perhaps the most alarming fact is that investment in production, including through depreciation deductions, was actually discontinued. Previously, depreciation deductions amounted to 18 percent or more, but now they are less than 4 percent. Now nearly everything that is earned by enterprises and organizations goes toward consumption, and the specter of a mass stoppage of enterprises is becoming a reality.

Until the last moment, the exchange price of vouchers did not exceed R30,000 to R35,000, although its real value by the end of 1994 was tens of millions of rubles.

Voucher privatization ended on 1 July 1994. Now Mr. Chernomyrdin is coming to center stage with Mr. Chubays with the determination to bring the "prikhvatizatsitya" [play on words for "seize" and "privatization"] to an end, and this is in spite of the critical state of the economy.

On 22 June 1994, President Yeltsin signed the edict "On the Basic Provisions of the State Program for Privatizing State and Municipal Enterprises in the Russian Federation after 1 July 1994." The provision cited means that the legislative and representative organs at the center and in local areas are actually pushed aside from the processes of privatization. Beginning in 1993, the privatization programs have been legalized by edicts issued by the Russian Federation president and not submitted for approval by the RF Supreme Soviet, and then by the State Duma of the FS RF [Russian Federation Council] (which conflicts with the RF law "On Privatization of State and Municipal Enterprises in the Russian Federation"—Paragraph 1, Article 3).

In its decree "On Results of the First Stage in Privatization of State and Municipal Enterprises in the Russian Federation," the State Duma considered the results of the first (checking) stage of privatization to be unsatisfactory, suggested that the government establish a joint group to prepare a draft state program for privatization, and recommended that the RF president suspend implementation of the edict "On Basic Provisions of the State Program To Privatize State and Municipal Enterprises in the Russian Federation after 1 July 1994."

However, the supreme authority did not respond to the State Duma decision. The program still has not been submitted for approval, and the previous policy of privatization is being continued. This time aim is being taken at the best enterprises in the VPK [military industrial complex] and raw material sectors.

What are the first results of monetary privatization? We read the following in ROSSIYSKAYA GAZETA (24 January 1995): "Some 500 of Russia's largest enterprises with an actual value of no less than $900 billion have been sold at bargain prices (about $7.2 billion) and have turned up in the hands of foreign companies and their dummy structures... The facts cited show that there is secret capital intervention to undermine the country's defense capability and economy in order to ensure a strategy adopted by law and guarantee that Russia lags behind."

The gazes of the latter-day owners and their foreign masters are now directed with brutal openness at the seizure of Russian land for absolute private ownership.

Let us cite figures on how the results of Russian "reforms" have affected the economies of Western countries and the level of unemployment in particular [figures in percent]:

	United States	Great Britain	Japan
1983	9.5	12.5	2.6
1987	7.9	10.1	2.7
1993	5.9	6.7	2.5

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According to Western guidelines, a permissible level of unemployment is 7 percent. When this limit is exceeded, social conflicts are possible. Judging by the table, the United States and Great Britain faced an inevitable social upheaval on the eve of perestroyka.

Hence it is no coincidence that Mr. Gorbachev, a person pleasing to the West, made his appearance on political Mt. Olympus. The foreign debt of the USSR was just $10 billion in 1985 (as a comparison, the state debt of the United States was $4 trillion in 1988, $80 billion in 1990, and $140 billion in 1994. By adding to this figure the $300 billion stolen and exported to the West, the picture becomes apparent: the USSR, at the price of its own downfall, and Russia, at the price of the collapse of its economy and plunder, saved the United States and Great Britain from inevitable catastrophe. In exchange, we received the disdain and derision of the entire world.

Think about this figure: The United States, with 5 percent of the population, consumes 40 percent of the natural resources. What does it mean to deprive them of this "consumption" in the previous amount at the cost of others? It means destroying the entire structure of American society, for America is not in a position to live on its own resources. Only one thing is sufficient to destroy the "new world order:" the existence of a strong and independent Russia.

It can become strong and independent under one most important condition: if a national-patriotic government is in power. We believe that with its first decree it will have to stop the predatory privatization, introduce a state credit and investment system and a monopoly in foreign trade, and establish that the basic form of land use is ownership of land for life with the right of inheritance. At the same time, absolute private ownership of land is categorically rejected. In addition to these steps, we should add introduction of state duties on trade in wine and vodka and tobacco products and ask Interpol to return to the treasury what has been stolen by "the new Russians." We have to remember the forgotten declaration on incomes now concealed as "a commercial secret," etc...

The people who shielded Europe from bondage by the Tatars and Mongols, who defeated Napoleon, and who saved the world from the fascist plague cannot, must not, and do not dare to succumb to the greed of social aliens.

Of course, we do not have enough solidarity or a unifying concept, but the struggle for the Motherland, for the rebirth of Great Russia, should be such a concept.

*Details of Privatized Enterprises Recounted

954E1222B Moscow KOMMERSANT DAILY in Russian 19 Jul 95 p 10

[Report by Oksana Lysak: "The Number of Participants in Privatization Transactions Is Growing Smaller"]

[FBIS Translated Text] **Privatization organs brought little happiness to investors this week with announcements of the sale of some attractive properties. The only exception was the report on the competition to sell shares in the "Vympel" AO [Joint-Stock Company]. The Moscow Property Fund announced results of the next series of investment competitions to sell shares in construction enterprises and the continued sale of their shares in monetary auctions. As usual, these transactions took place (and will continue to take place) among a small circle of investors. On the other hand, an important event took place in the area of bankruptcies. The Lermontov Mining Company (one of the largest enterprises mining tungsten), which was close to bankruptcy, has found ways to surmount the crisis.**

A Shipyard is Being Sold in Yaroslavl Oblast

This week the Yaroslavl Oblast Property Fund announced an investment competition to sell shares in the "Vympel" AO. The enterprise builds ships and produces machine-building output. Its authorized capital as of 1 June 1992 was 74.8 million rubles [R], and 20 percent of its stock is being put up for competition. The AO, which was privatized in accordance with the second preference alternative, has 3,041 employees.

With the enterprise's very favorable financial condition, KOMMERSANT DAILY recommends that investors turn their attention to this competition. The point is that domestic shipbuilding is quite attractive for foreign production investors in the sector.

As far as the cost of the facility is concerned, $10 million will seem like a very overstated price for such an enterprise at first glance, but this is really not a large amount. These funds should be paid over 3 years and the volume of investments should be recorded in dollars, which under the policy of holding back an increase in the exchange rate of American currency turns out to be a very profitable investment for investors.

The Moscow Government Will Not Give Up Moscow Construction

It is unnecessary to say how important the field of construction is for a city's economy. This applies especially to Moscow, where thanks to the mayor—a "strong economic manager"—construction during the period of eco-

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nomic crisis is not only not being discontinued, but it is even picking up speed.

It is precisely for this reason that the results of investment competitions to sell shares in a number of large Moscow construction enterprises, which were announced by the capital's property fund this week, are unlikely to be surprising. As usual, construction organizations are being bought by construction organizations, and the organizers of auctions are devoting considerable effort to see that the usual procedure is not altered.

Thus, the competition for shares in the "Mekhanizatsiya-2" AO was won by the "Mosstroyprogress" AO; a 20 percent block of stock in the "Opytnyy zavod sukhikh smesey" [Dry Mixtures Experimental Plant] AO, which produces building materials, was "caught" by the "Rosproyekt" TOO [limited partnership]; and finally, the "Glavmosstroy" Holding Company acquired 15 percent of the stock in the "Stroitelnoye Upravleniye No. 73" and 15 percent of the stock in the "IVTs [information computer center] Mosstroy."

It should be said that the Moscow Property Fund does not hide the fact that the investment competitions to sell shares in these enterprises may be won only by organizations belonging to a small circle of owners. Thus, the conditions of competitions for some of the enterprises listed above included simply a list of the organizations which could take part in these competitions, and this list consisted of just two participants (it was impossible to have less, since under Article 447 of the new GK [State Code], a minimum of two applicants must take part in each competition).

However, it is one matter in competitions where the range of participants may be restricted and there is good reason to be confident that if only two of "one's own" firms are admitted to the competition, a block of stock will be obtained deliberately by one of them, but monetary auctions are quite another matter. The number of participants in monetary auctions cannot be limited legally. There is another simple method though: limiting this number by a means that is not legal at all.

Thus, the *specialized* monetary auctions announced this week by the Moscow Property Fund to sell shares in the "Mekhanizatisya-2" AO, the "Opytnyy zavod sukhikh smesey," "SU-73" and "SU-76" [construction administrations], "Mosstroy-1," "Mosstroy-40," "Mosfundamentstroy-1," and "UMITAT" will be conducted by the "Russian Financial and Commodity Resource Exchange" [Rossiyskaya birzha finansovykh i tovarnykh resursov, RBFTR], a firm which is quite well known among Moscow investors. Its reputation is based on the fact that during the checking auctions, it was impossible to do anything else but apply for an auction through this receiving center. It is precisely for this reason that blocks of stock in enterprises were sold through the RBFTR for several vouchers—which later gave cause for righteous anger against Moscow government officials who had branded privatization "according to Chubays."

This center was visited at one time by GKI [State Committee on the Administration of State Property] leaders, including Chubays, but whether for fatalistic or other reasons, they left the RBFTR in peace, just as they left all Moscow privatization.

It is unlikely to change now. The point is that specialized monetary auctions are practically no different procedurally from the checking auctions—in particular, because a large number of applicants may take part in them, which is also undesirable—but for insurance, blocks of stock in some of the enterprises cited (the first three in the list cited above) were sold first in investment competitions and later in a monetary auction, which is unprecedented, generally speaking. In these cases, however, when they wanted to scare investors away rather than attract them, the tactic was entirely justified.

The "Lermontov Mining Company" Was Saved From Bankruptcy

It is planned to hold a session of the Maritime Kray Arbitration Court on the case of bankruptcy of the "Lermontov Mining Company" AO before the end of July. Mr. Mayorov, the AO general director, is confident that this session will have a favorable outcome, since unlike in 1994 when the company operated with financial losses, it made a profit of R1.6 billion in four months this year.

The last stockholders meeting confirmed the status of the current general director. Moreover, the president of Eurobank and chief of the economic planning division of the Promstroybank joined the AO board of directors. The banks' interest stemmed from results of the AO's aggressive activity in the world tungsten market.

Now Mr. Mayorov explained the enterprise's temporary reverses by the large debts incurred in 1994 for deductions for the social funds, especially the pension fund, but the debts from obligatory deductions have now been paid off.

But the "Teykovagropromenergo" AO Is Selling its Property

While everything ended favorably for the large tungsten producer, the fate of a company which maintains power plants in rural areas has already been decided; the "Teykovagropromenergo" AO became the first bankrupt enterprise in Ivanovo Oblast.

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Several dozen people were employed at the enterprise. Because of the worsening economic situation of former kolkhozes and sovkhozes, the company stopped receiving orders for service from them. The last employees are now being discharged. The liquidation commission has begun selling the property.

***State Antimonopoly Committee Searching for Funding**

954E1205B Moscow KOMMERSANT DAILY in Russian 12 Jul 95 p 3

[Report by Andrey Belov: "Consent Costs Money"]

[FBIS Translated Text] **The State Committee for Antimonopoly Policy [GKAP] is considering the question of imposing fees for issuance of its authorization to create commercial associations and unions, or to use a more Westernized term, mergers. This matter was discussed in the context of GKAP financing problems at the meeting held yesterday between committee leaders and Anatoliy Chubays, first deputy chairman of the government.**

It should be acknowledged that the current status of the antimonopoly committee is not notable for its particular stability. The wave of attacks on its leader, Leonid Bochin, related to the usual intensification of the organizational struggle and intrigues surrounding the plans to create alternative structures for the standardization and certification of output and services, had barely passed when the GKAP was dealt a blow from another side—the State Committee for Small Business Support and Development, created by the president's edict of 6 June—immediately deprived the GKAP of one of the most promising directions for its activity in financial terms. It was precisely for this reason that the committee chairman's friends and foes in the administration devoted such attention to consideration of the applications for budgetary financing which is part of the budgetary process. Traditionally, the situation with respect to the financing of one department or another is an indicator of the strength of its leader's positions in the administration. A budget cut is a signal to those who know how to read between the lines about possible personnel shifts.

As the results of the conference in the White House show, it is still too early to bury Leonid Bochin. Despite the fact that out of the 57 billion rubles [R] that the committee requested in its application, submitted to the Interdepartmental Commission to Prepare the Draft Budget for 1996, only R43 billion were approved. This reduction does not exceed the average indicator for other departments. The author of this article knows of no other cases when more budget requests were allocated. As Anatoliy Saunin, deputy chairman of the GKAP, told a KOMMERSANT DAILY correspondent, this figure is nearly R16 billion more than the amount stipulated by the budget for the current year.

As expected, the antimonopoly committee believes that R43 billion is not enough to develop the material and technical base of the committee adequately. In the words of Anatoliy Saunin, they will not be able to provide the central administration and regional branches with computer hardware with the budgetary funds, and this in turn will limit opportunities to monitor the market and conduct analytical research. The GKAP does not even have enough money to carry out its basic functions, the deputy chairman believes, especially if it is taken into account that protecting small business from dishonest competition remains within its competence as before, despite the recent creation of the State Committee for Small Business Support and Development. Anatoliy Saunin did not rule out the possibility that the staff of the antimonopoly department may be "cut" because of the financial problems and the overall trend of reducing the state administrative apparatus.

It seems there are grounds to suspect that the committee finds itself in a stage of decline as the result of the latest battles in the administration. However, the fact that in the course of a discussion with Chubays the committee leaders acquired approval to use the machinery of self-financing means that the chief curator of the GKAP is not interested in final degradation of this department. As a source of funds, it is proposed that fees be established for authorizations to create commercial unions and associations; in Saunin's opinion, this is comparable to the registration fees for organizations in the Ministry of Justice. The amount of the fee has not been determined yet, but this may involve several dozen minimum payments to issue one authorization. It is proposed to save the funds received in a departmental (non-budget!) fund still to be created under the GKAP. This fund will be used to finance the GKAP's material-technical and social programs, according to leaders of the antimonopoly department. This step would correspond in principle to an ancient principle of Russian life: "I have what I save."

Increase in Tax Crimes Reported

95P50158A Moscow TORGOVAYA GAZETA in Russian 26 Jul 95 p 1

[Unattributed article: "Tax Criminals are Living Free of Care"]

[FBIS Translated Text] Sergey Almatov, director of the Russian Federation Department of Tax Police, reported at a Russian government session that there has been a further growth of tax crimes in society. According to

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a recently conducted audit, it was discovered that out of 14,000 tax crimes, there were cases brought aginst only about 4,000 of these crimes. Only 90 people in total were convicted. In this connection it is interesting to note that in 16 Russian regions not one person was convicted. Out of 7.3 trillion rubles that was to be added by the department to the federal budget, in reality only 2 trillion rubles, or 27 percent, was received.

***Power Grid Head Gorodnitskiy on Maintaining Electricity Supply**

954E1218A Moscow RABOCHAYA TRIBUNA in Russian 25 Jul 95 p 2

[Article by R. Tell: "How Are We Going To Heat Our Home?"]

[FBIS Translated Text] **Many consumers of electric power are concerned. TASS dispatches and other sources of information list cases in which consumers lose light and power while the rates for energy sources are rising. This is happening in the summer. What will it be like in the winter?**

Vladimir Gorodnitskiy, chief of the Department for Operation of Power Grids and Electric Power Stations of the Rossiya YeES [Unified Power System] RAO [Russian Joint-Stock Company] comments on reports in the press.

Vladimir Ivanovich states that "winter may become a severe test for us and the consumers of our products. Repair of equipment at heat and electric power stations, hydroelectric power stations, and heat and electric power grids as well as the procurement of fuel, chemical reagents, and everything that is needed to maintain power engineering facilities in top operating condition is falling behind schedule. Approximately one-third of the annual program has been completed as of today. The principal reason for this lag is the difficult financial position of the branch.

Following, for instance, is a TASS dispatch from Moscow:

"The number of unprofitable enterprises in electric power engineering in Russia rose from 3 in 1990 to 11 today. Customers of the Rossiya YeES RAO owed that organization over 22 trillion rubles [R] as of early July 1995."

By the time that dispatch reached you the amount in arrears rose by another R1 trillion. At the same time one-half of that sum has been accumulating since the start of this year. Almost all of our customers with very few exceptions owe us.

There is, for instance, the Decree No 307 of 8 April 1994 on additional measures to raise responsibility of consumers for timely settlement of accounts for fuel and energy resources. In accordance with it a number of consumers are not subject to restrictions on the delivery of electricity and heat to them, even if they fail to pay for such energy sources. They include housing and municipal service enterprises, organizations in the social and cultural sphere, the defense complex, and the Ministry of Internal Affairs.

I agree that they play an important role in the life and defense of the country, and the government list includes far from all facilities in these branches. The regional power commissions, however, have compiled a long list of official non-payers, who, even with money in their accounts, spend it on other things. At the same time our facilities are coming to a halt.

Not everyone is being spared and spoiled though. Here is another TASS dispatch from among some of the latest ones:

"Chita—The Chita power engineers have disconnected the supply of electric power from the central power grid to headquarters of the Transbaykal Military District (ZabVO), the air army, the air defense corps, and a number of garrisons of the Daur Strategic Direction, the radio engineering air defense brigade, and certain other military facilities, for long-standing indebtedness. The command of the ZabVO appealed for assistance to members of the Military Council of the district, to Boris Ivanov, head of the oblast administration, and to Vladimir Melnikov, representative of the president of Russia in Chita Oblast. Instead of getting help, however, there came an order from local authorities to turn off the energy supply to the housing occupied by military personnel."

It becomes necessary to revert to such measures even though I have not been informed of this particular case. In general the Rossiya YeES RAO regularly receives a hail of telegrams and letters from heads of administrations of territories, our debtors, containing protests and appeals concerning disconnection from power grids, but where are we to get funds for generation of electric power and heat? After all, we also owe our suppliers: for fuel oil—R1 trillion; for gas—over R6 trillion; for coal—R1.86 trillion; for construction, installation, and repair work—more than R1.5 trillion; as well as for other supplies and services.

There are no fuel reserves at thermal electric power stations, particularly at the Novocherkassk GRES and in Karelia, in Arkhangelsk, on the Kola Peninsula, in the Amur, Sakhalin, Magadan, and Khabarovsk oblasts, as

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well as in Primorye. The entire Far East is experiencing a fuel and power crisis.

By the way, Khabarovsk residents are in shock. Following is a dispatch which arrived from there:

"Rates for energy sources shot up sharply in June in Khabarovsk Kray. Now payments for electric power will rise 1.5 times compared with June while expenditures on heat will double. The cost of each kilowatt-hour for the residents increased by as much as R100. Vast additional expenditures will have to be borne by enterprises and organizations. Consequently there will be an automatic rise in prices for goods and services.

"According to specialists, the new rates will remain for no more than three months after which they will shoot up once again. Local authorities explain that as being due to the rise in the cost of coal and oil delivered to the Amur region from other regions and the increased tariffs for railway transportation."

A government decree No. 603 On Measures for Preparation of the National Economy for Operation Under Autumn-Winter Conditions in 1995-1996 appeared in June. It is a very useful document which, unfortunately, is being fulfilled in a most inadequate fashion. Rates for consumers of electric power in the Far East are maintained considerably below the actual costs. It was planned to cover the difference out of the federal budget, which now owes us R250 billion in the second quarter just for that item. In addition to that it was planned to allocate R1.3 billion for the branch for accumulation of fuel reserves for the winter; not one ruble has been received up to now.

Combined with the growing debts of our consumers, this led to a situation where the amount of coal accumulated at the start of July was 4 million tonnes less than last year, and that of fuel oil was 400,000 tonnes less, while gas producers restricted consumption of gas by 5.9 million cubic meters. It is certain that we will all be freezing during the winter—both the residents of Khabarovsk and those of Moscow. Unless the situation changes, 40 power grids out of 72 in Russia now owe two to three months worth of wages. Therefore, will the rates be going up under these circumstances or not?

With regard to the Far East, by the way, taking into consideration the catastrophic situation there with the production and reserves of coal, we appealed to the government to review special rates for transportation of coal for them by rail. The problem is that the region is being supplied with coal primarily out of Siberia with the shipping distance from there to the Far East being slightly over 1,000 km. At the same time special railway tariff rates come into effect only for distances in excess of 3,000 km.

In addition to that a special government decision is needed concerning settlement of mutual accounts. Without receiving money for a product it is impossible to maintain production. The market and nonpayments are two incompatible factors, particularly since as early as in December of last year, presidential edict No. 2204 On Ensuring Law and Order in Payments in Accordance With Obligations for Delivery of Goods (performance of work and extension of services) established an order under which an unpaid contract becomes ineffective and the budget will fine those who fail to make the payments.

The June decree of the government establishes a mechanism for offsetting the indebtedness of the federal budget wherein we, the producers, are exempted from paying tax in the amount of such indebtedness. So far, however, the Ministry of Finance remains silent. That is understandable since the state treasury is empty, but we cannot work for nothing.

*Chubays' Promises of Financial Support to Agriculture Doubted

954E1206A Moscow KRESTYANSKAYA ROSSIYA in Russian 3-9 Jul 95 No 25, p 2

[Report by Yevgeniy Galkin: "Chubays Promises Again"]

[FBIS Translated Text] First Vice Premier A. Chubays held a working conference on problems related to financial and economic support for reforms in agriculture on 26 June. The press was not allowed at the conference, although it became known that farmers would be compensated for all budgetary debts in the third quarter. A mechanism also appears to have been worked out to bring budgetary funds to the small property owners.

Back in December 1994, Chubays promised specific assistance in implementing land reform. These promises applied primarily to the farming sector. Now the time has come to report on the work that has been accomplished.

Vladimir Bashmachnikov, the president of AKKOR [Association of Peasant Farms and Rural Cooperatives of Russia], who has reproached members of the current cabinet of ministers more than once for their empty promises and irresponsibility, was full of optimism today:

"They have finally begun to do something about state discipline at the highest levels of government.

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"The months ahead will show how determined the government is to maintain state discipline."

***Land Privatization, Agriculture Reorganization Seminar**

954E1206B Moscow KRESTYANSKAYA ROSSIYA in Russian 3-9 Jul 95 No 25, p 2

[Report by Aleksandr Moiseyev: "The Seminar Was Held Without Preparation"]

[FBIS Translated Text] A seminar has been held at the "Rus" Sanatorium Complex in suburban Moscow on the program to privatize land and reorganize agricultural enterprises in Russia. It was organized by the International Finance Corporation, of which our country is a full-fledged member, for corporation employees and VUZ [higher educational institution] students in Nizhegorod, Rostov, Orel, and Ryazan oblasts, where reorganization of agricultural enterprises in accordance with the so-called Nizhegorod model is being conducted most vigorously.

The seminar was based on a combination of lectures and business games. The lectures were conducted with visual aids to illustrate elements of the model program developed by scientists at the Agrarian Institute of the RASKhN [Russian Academy of Agricultural Sciences]. All 185 seminar participants, divided into 12 teams, practiced role-playing; they made decisions and acted as they have to act in each specific stage of the program. Each one had a "Handbook on Land Privatization and Agricultural Enterprise Reorganization in Russia," specially prepared by the organizers. The situations considered by seminar participants were based on specific cases which occurred in the course of reorganizing farms in the four oblasts. It is interesting that the participants themselves "played through" the entire program for reorganizing the assumed "Luch" farm from beginning to end. They prepared and issued certificates on the right of ownership, concluded leasing agreements, and took part in the auction.

***Sugar Consumption Down, Seminar on Futures Trading**

954E1206C Moscow KRESTYANSKAYA ROSSIYA in Russian 10-16 Jul 95 No 26, p 2

[Report by Olga Tugina: "They Have Not Matured Enough for Futures"]

[FBIS Translated Text] Sugar consumption declined from 48 to 50 kg per capita annually in 1989 to 28 to 30 kg in 1994, and production has dropped by an average 43 percent since 1987.

Sugar is produced in 122 countries, and more than 20 percent of it is being sold through international trade channels. Less than 50 countries are capable of meeting their requirements completely through domestic production, and about 40 countries depend entirely on imports for their sugar. Russia, where the proportion of sugar being imported is increasing each year, is no exception. At the same time, our trade in sugar is very slack now. Russia's sugar business is quite specialized: prepayment and ability to select a partner are the main conditions for it. We know that offers for cheap sugar are made to Russian companies most often by those who have no direct relationship with sugar. As a result, 99 percent of such offers, such as those for Brazilian and South American sugar, do not exist and the number of cheated sugar businessmen is not declining.

Taking this situation into account, the Moscow Commodity Exchange, jointly with the London Commodity Exchange, which is "extremely important" in the world refined sugar market, held a seminar last week entitled "International Trade in Sugar and Futures Trading in Sugar in the CIS." Specialists in these exchanges believe that popularization of trading in sugar futures would resolve many problems; it would make it possible to insure transactions more or less successfully and develop the market for physical sugar. However, representatives of the Russian Federation Ministry of Agriculture and Food who attended the seminar said that it is still too soon to speak about developing trade in sugar futures in Russia.

***Agrarian Leaders Discuss Food Security, Call For Support**

954E1206D Moscow KRESTYANSKAYA ROSSIYA in Russian 17-23 Jul 95 No 27, p 1

[Report by Olga Kirilova: "Old Problems in a New Way"]

[FBIS Translated Text] A meeting of the Federation Council devoted to the question of Russia's food security was held last week. The meeting was held at the initiative of the Agrarian Policy Committee of parliament's upper chamber.

Vyacheslav Zvolinskiy, chairman of the committee, declared in his address that "Western countries are obviously engaging in trade expansion" to Russia's foodstuff market. In his words, the influx of foreign products is continuously increasing, and Russia is being turned into a raw material appendage of the West. Apart from this, Zvolinskiy sharply criticized the government for "direct fulfillment of directives from the International Monetary Fund and other consultants of the reformers."

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The draft of a statement prepared on the basis of deputies' remarks when the matter was under discussion said that the Federation Council should "dissociate itself from the government's agrarian policy, which has led the APK [agroindustrial complex] to economic catastrophe." The policy of the government, according to the draft statement, was considered "anti-people" and "anti-state."

Next it was stated that state support for the APK must be increased and that no less than 15 percent of the country's national income should be directed to finance the APK's needs. Mikhail Lapshin, leader of the Duma's agrarian group, demanded that money be allocated urgently "for watering."

In addition, the Federation Council's Agrarian Policy Committee recommended that nine agrarian ministries, a bank, and an academy be established to overcome the crisis. Speaking in response, Federation Council member Yuriy Chernichenko suggested that a ministry of hard boiled eggs be created as well.

However, according to an INTERFAX report, the Federation Council did not adopt a political statement in connection with the critical situation in Russia's agroindustrial complex; 22 votes were lacking for this.

On the other hand, the Federation Council adopted the decree "On Provision for the Russian Federation's Food Security." The document notes that as a result of the completely erroneous agrarian policy over the past five years, the material and technical base of the APK is breaking down at a rapid rate and agricultural output is declining. The Federation Council proposes, in particular, that the State Duma "consider without delay" the draft federal law "On State Regulation of Agroindustrial Production."

The session was marked by a dramatic tone, and there was extensive reaction to it in the mass media for that reason. As far as the essence of the matter is concerned, the deputies' suggestions are unlikely to be implemented.

***Collective-Private Farmer Cooperation Noted**

954E1206E Moscow KRESTYANSKAYA ROSSIYA in Russian 17-23 Jul 95 No 27, p 2

[Report by Yevgeniy Galkin: "Cooperate!"]

[FBIS Translated Text] More than 2.5 billion rubles [R] for fuel and lubricants were allocated to farmers in localities near Moscow this year under preferential 10-percent commodity credit. Farmers used GSM [fuel and lubricants] valued at R860 million in carrying out the sowing campaign.

The main problem for farmers in obtaining the GSM is the lack of the capacities needed. They were supplied in good time with only a few—those acquired by the farm four or five years ago—and every farmer is finding a way out of the situation in his own way, taking local conditions into account.

"In six rayons near Moscow," said Vasiliy Sidorov, deputy director of the Moscow Farmers Union, "they have rejected commodity credit for GSM entirely. They consider it more advantageous to cooperate with collective farms and use their special storage facilities. It is harder for the independent farmers themselves to cooperate, since the farming lands are spread out, as a rule. If they were to work together as a unit, many problems could be resolved more simply."

Vladimir Bashmachnikov, president of the AKKOR [Association of Peasant Farms and Rural Cooperatives of Russia], speaks about the trend toward collaboration between collective farms and farmers:

"The period of senseless, often provoked opposition has vanished into the past; there is no reason for farmers to quarrel with each other. In many regions of Russia, farmers and reorganized collective farms are on excellent terms and receive mutual benefit from cooperation, but it would be a shame not to take advantage of the favorable credit for GSM which the state is offering now. For this reason, I call upon all farmers, regardless of the different forms of economic operation: cooperate!"

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Economic Issues

*Crimea-Ukraine Privatization Conflict Examined

954F3004A Moscow KOMMERSANT DAILY in Russian 22 Jul 95 p 5

[Article by Leonid Terentyev under the rubric "The Economy and Politics": The Struggle for Ownership in the Crimea: The Prime Autumn Season Will Arrive—It Only Remains To Decide for Whom"]

[FBIS Translated Text] Crimean legislators first adopted a budget which included income from privatization (true, the deficit remained at the level of 22 percent) and then they also lifted the moratorium on privatization which had been in effect since this spring. So the struggle for ownership is being revived.

Who Is Superfluous?

The first deputy minister of economics of the Crimea, Tatyana Shandra, commented on the lifting of the moratorium on privatization and tried not to rouse passions: the program adopted "does not envision an overwhelming upsurge in privatization and is moderate and well thought-out in nature." It envisions reserving some stock of privatized enterprises for representatives of deported peoples returning to the Crimea, regardless of whether they received Ukrainian citizenship.

However, the situation's potential for conflict is unquestionable. And on the official level, not to mention the criminal forces participating in privatization. In the Crimean legislators' opinion, their dispute with Kiev on the division of Crimean property is not over. Past history suggests that. In January 1995, the Cabinet of Ministers of Ukraine created a special commission which included representatives from Simferopol to demarcate property powers in the Crimea. But on 5 May 1995, the Cabinet of Ministers of Ukraine canceled all agreements. A decree was adopted whereby 729 Crimean enterprises were put under Ukraine's management and only 203, and by no means the most important ones, went to the Crimea itself.

People in the Crimea considered such actions discriminatory, and the Supreme Soviet of the Crimea adopted a special degree in which the actions of the Cabinet of Ministers of Ukraine were declared invalid and in conflict with Article 97 of the Constitution of Ukraine and Article 32 of the Ukrainian law "On Ownership." It was proposed that Kiev create yet another commission to demarcate state property in the Crimea, while the chairman of the Supreme Soviet of the Crimea, Sergey Tsekov, the prime minister of the government of the Crimea, Anatoliy Franchuk, and the chairman of the autonomous region's state property fund, Aleksandr Kotelnikov, called on the managers of Crimean enterprises to refrain from taking any action upon receiving the orders of Ukraine's ministries and departments regarding issues of the resubordination of the ownership of their enterprises. In its turn, the Crimean leadership just cannot make up its mind exactly who should receive state property from Ukraine, either the government of the Crimea or the State Property Fund of the Crimea, which is authorized to do so by the Supreme Soviet of the Crimea. There are several candidates, but as of today the corresponding documents have been made official in only two enterprises, the Feodosiya Hosiery Factory and the Simferopol Garment Factory imeni Krupskaya.

Meanwhile it has become clear that various leaders in the State Property Fund of the Crimea see using capital (not yet received) from privatization differently. The chairman of the autonomous region's state property fund, Aleksandr Kotelnikov, believes that the capital from privatization of Crimean property should remain in the Crimea and be used to develop the social sphere, regardless of who acts as the nominal owner and who conducts the privatization. His deputy, Aleksey Golovizin, believes that this capital must be used to develop the privatized enterprises themselves so that they work better and replenish the Crimea's budget through taxes.

The "New Crimeans"

While Simferopol argues with Kiev, legal privatization stands still. Hopes to replenish the Crimean budget are unlikely to come true. But that certainly does not mean that privatization is experiencing an off-season.

The government of Ukraine transferred the most prestigious sanatoriums in the Crimea, Nizhnyaya Oreanda [Lower Oreanda] and Morskoy priboy [Seasurf], to the ownership of the Supreme Soviet of Ukraine. Now the health of 450 legislators, not to forget ministers, of course, can be improved here. A landing party of Kiev privatizers has already arrived at Nizhnyaya Oreanda; it was headed by the deputy charge d'affaires of the State Property Fund of Ukraine, Yuriy Shevchenko, who indicated the goal of his arrival without beating around the bush: "We came to take over all-state property."

Meanwhile there are Moscow claimants at the Crimean sanatoriums. Viktor Chernomyrdin has expressed a specific interest in Nizhnyaya Oreanda. In the official Crimean privatizers' opinion, with the use of largely unfinished objects, property could be allocated to Russia too; they did not rule out plans to create a Crimean-Russian joint venture. Here people were naturally looking to ultimately replenish Crimean budget income.

Meanwhile the general director of the leased enterprise Nizhnyaya Oreanda, Aleksandr Popenko, is satisfied

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with Kiev's decision. He told the KOMMERSANT correspondent that "last year we worked only 40 days because of the turmoil over the constitution. The money we earned in the summer was barely enough to last the winter." In March 1995, Popenko was in the office of the Russian president's charge d'affaires, Pavel Borodin, once more, and he suggested that we reach an understanding with Ukraine and the Crimea themselves. He also proposed to create an inter-CIS sanatorium on our base. Universal approval followed, but nothing changed. Now Kiev is promising the sanatoriums subsidies from the budget and protection. The Supreme Soviet of Ukraine is also supposed to distribute part of the passes. But all agreements with Russian structures are being retained.

Bankruptcy Law Seen Not Operating

954F3019A Moscow DELOVOY MIR in Russian No 29, 31 Jul-6 Aug 95 p 11

[DM Agency publication by Vyacheslav Dzhun, Supreme Arbitration Court of Ukraine, Kiev, under the rubric "A Specialist's Opinion": "Why Is the Law on Bankruptcy Not Operating?"]

[FBIS Translated Text] Reports in the press about the arbitration court of this or that oblast of Ukraine instituting bankruptcy proceedings are no longer a rarity. The only surprising thing is that afterward the plant or factory declared bankrupt often continues to work as if nothing happened.

The Law of Ukraine "On Bankruptcy" was adopted back in May 1992. It is fairly complete as a document. Foreign scholars among others mention that. Furthermore, it is difficult to overestimate the law's significance today: the economic difficulties, especially the nonpayments crisis, are affecting more and more subjects of our economy.

Data from the Ukrainian Cabinet of Ministers Main Administration for Questions of Economic Reform indicate that at the start of the year, the proportion of unprofitable enterprises rose to 24 percent. They were unable to defray their losses related to commercial production activity. All this developed into a unique kind of chain reaction in relation to nonpayments, which weighs particularly heavy on state enterprises. Logically, the law on bankruptcy should affect them above all. But in reality? The single-minded policy to prevent bankruptcy artificially opposes the law.

These are the facts which give grounds for this claim. Last year the presidential edict on financial support of state enterprises was adopted, and following that—the Cabinet of Ministers decree on the procedure for providing this aid to those who need it.

The edict regulates financial subsidies. However, despite that, the legitimacy of both documents is questionable. In my opinion, the edict contradicts Article 28 of the Law "On Entrepreneurship" and the Law "On Ownership," which say, among other things, that the state ensures equal rights and economic conditions of economic activity for all enterprises regardless of the form of ownership. But according to the edict, only those enterprises where more than 50 percent of their property is state-owned can count on financial support.

The Constitutional Court could have promptly uncovered and stopped these paradoxes which are coexisting in a surprising way in our economy, but the Court, as everyone knows, is not in operation in our country. And if this contradiction comes out in a specific judicial proceeding and the plaintiff refers to the presidential edict, which, as was noted, contradicts the law, we judges will refuse to institute this proceeding because it is illegal. Article 83 of the Arbitration Procedure Code of Ukraine gives us the right to do just that.

Artificial prevention of bankruptcy led to another leap of hyperinflation, since the state reimburses the enterprises' need for fixed capital. One gets the impression that many officials, above all the presidential structures, still do not understand the very nature of the institution of bankruptcy and the forms of its application.

There are more than enough examples. Just take the well known bankruptcy case of the Donetskugol [Donetsk Coal] Production Association. Almost a year ago, the association was declared bankrupt because of its long-standing inability to pay its debts to Ukrsotsbank [Ukrainian Social Bank] and other creditors, debts estimated at a numeral followed by many zeros. The liquidators appointed were supposed to begin their duties to satisfy the creditors' demands. But a letter from the Cabinet of Ministers stopped the arbitrators' actions (a unique interpretation of the independence of the courts, don't you think?). The saddest thing of all is that after "a" was said, we just did not listen to "b"—crime sector workers simply did not wait until the arrival of the promised financial aid. So the creditors were left with nothing. Although it is true that a law appeared on exempting Minugleprom [Ministry of Coal Industry] enterprises from paying debts for taxes and payments to the employment, social insurance, and pension funds.

The problem thereby remained unresolved. In time all kinds of surmises and rumors developed. The press accused the Donetsk arbitrators of political games. Among others, the "red" directors, members of the party of the Labor Congress of Ukraine, hold this opinion. But none of them remembered, however, that judges were guided by the law on bankruptcy in their actions.

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At the same time, newspapers also wrote that this law was an empty declaration, since only three proceedings were instituted in 1993. That is the claim of one of the president's advisors.

But, first, 144 proceedings were instituted during this time (all of them, of course, deal with nonstate structures). Secondly, who if not the lawmakers should know who is professing the policy of artificially preventing bankruptcy, thereby constraining our actions?

Of course, the consequences of declaring a particular enterprise bankrupt are frightening. In fact, the problems of mass unemployment which inevitably arise with the bankruptcy of a state enterprise are quite tangible and not yet resolved, unfortunately. The employment system, the system for retraining cadres, and other things are not yet at the proper level. So the attention of the power structures should be focused on these problems rather than throwing up their hands and saying, we adopted the law, but if it is not operating ask the judges why.

***Concerns Over Increasing Foreign Involvement in Kazakh Industries**

95UM0566A Moscow IZVESTIYA in Russian 29 Jul 95 p 4

[Article by Vladimir Ardayev and Sergey Leskov: "A Lifesaver for Kazakhstan's Industry Is Ordered from Abroad"]

[FBIS Translated Text] The German steward is a very familiar figure to the reading public. Remember Tolstoy's Levin in his landowner zeal tried to organize his estate more rationally than his foreign neighbor. The most popular profession in Russia today is manager, that is to say, steward. But in violation of tradition, we are making do with our own cadres and not bringing anyone in from across the sea, although there is nothing to boast about.

Incidentally, economists are confident that if Russia took the world path of development, it would not remain outside the free market for labor. As for top category managers, their arrival means not just skilled management but attraction of the large credits which we need so much, new markets, and in the future a change in ownership at enterprises. That is to say, essentially a fundamental remaking of the entire economy.

Today Russia, which everywhere is moving along paths never before traveled, has a rare chance to look into the well of time and divine its future. Because nearby, in Kazakhstan, one of the Soviet economy's flagships, heavy industry is smoothly and inevitably switching to foreign management.

Intrigues in the Incubator of the Top Soviet Leadership

A noisy scandal broke out over the largest industrial enterprise in Kazakhstan, the Karaganda Metallurgical Combine [Karmet]. N. Nazarbayev worked here at one time and O. Soskovets was the director. In December 1992, the last Soviet director, A. Svechinskiy, was shot by a killer near the plant management building. The metallurgical giant landed in the sphere of criminal interests and was brought to financial ruin—debts reached 300 million dollars.

In the hopeless situation, the government transferred the combine to the Austrian-Kazakh joint venture Fest-Alpine-Kazakhstan to manage for 5 years. But in a few days the contract was abrogated and Karmet was transferred to the management of another suitor. A more distinguished one, a subsidiary company of the American United Steel together with a group of companies of S. Eisenberg, which is registered in the offshore zone of Panama.

Shaul Eisenberg, 74 years old, native of Austria and citizen of Israel. Participated in restoring postwar Japan and has a relationship to the South Korean economic miracle. According to S. Eisenberg himself, he prefers to work in regions with a very high degree of economic risk. A considerable amount of space is devoted to S. Eisenberg in the book "Ya byl agentom 'Mossada'" [I Was a Mossad Agent] published 2 years ago in Moscow. In 1976 Eisenberg found himself in the center of a political scandal and police investigation in Canada involving an attempt to sell an atomic reactor to South Korea and Argentina. S. Eisenberg's personal wealth is estimated at 4 billion dollars and the financial turnover of the companies he controls—at 48 billion. However, S. Eisenberg very rarely invests his own money, preferring to "pull in" credits from outside.

The first vice premier Vitaliy Mette in confidential talks claims that the fact that the joint venture was unable to confirm its ability even in June to pay the combine 40 million dollars was the reason for the sensational modification of agreements. Eisenberg's group immediately satisfied the government's demand.

The circumstances of the deal are extremely complex. We managed to clarify that negotiations with the Eisenberg group were held starting in January and were interrupted by Goskomimushchestvo's [State Committee for the Administration of State Property] unexpectedly signing the contract with the joint venture half a month before the competitive commission met. Behind the joint venture is the Almaty firm Butya, which is powerful but only on the local scale. The vice president of the joint

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venture, Bulat Abilov, claims right out that the modification of the contract is linked to the government's corruption. The fact that the subdued Austrian holding company Fest-Alpine counts the Eisenberg group among its partners in the Karaganda project conclusively complicates the situation. Logic suggests that the Western capital and local bureaucracy stuck in the throats of the local businessmen.

Foreign Pilots Are Guiding the Ship

In the last 3-4 months, ferrous metallurgy, the entire chromium sector, a fair amount of the iron ore industry, and the entire phosphorous industry have changed over to foreign management. The list of enterprises is impressive: Karmet, the Sokolovsko-Sarbayskoye Mining Industry Association, the Pavlodar Aluminum Plant, the Don GOK [Mining and Concentration Combine], the Aktyubinsk and Yermak ferroalloy plants, the Chimkent and Dzhambul chemical plants, and, since recent times, Dzhezkazgantsvetmet [Dzhezkazgan Nonferrous Metallurgy]. In selecting the managers, the Kazakhstan government is above all interested in immediate and abundant solvency in order to save enterprises which are on the brink as quickly as possible.

But why did the gigantic plants whose capacity is sufficient for the prosperity of several European states collapse? The answer is important to critics of Russian privatization: the problem of ownership was just not resolved in Kazakhstan during the reform years. The conversion into joint stock companies was done too cautiously and circumspectly—the state released no more than 10 percent of the stock from under its control. Directors who had been brought up under the laws of a planned economy found themselves at the head of enterprises which belonged to no one even more than under socialism. The problem with the cadre drain also affects the economy. Qualified specialists who were educated for decades are now using all their efforts to get out of Kazakhstan. There are terribly long lines outside the Russian embassy in Alma-Ata [Almaty] in all kinds of weather.

But certainly the transfer of enterprises to foreign management does not resolve the question of ownership. Managing companies can count on no more than 1 percent of the profits and, most importantly, do not have the right to make their own investments in production. They are merely allowed to attract credits—under their own guarantees or under governmental obligations. But a measure has been devised: terms have been stipulated at every enterprise whereby when the contract expires (ordinarily 5-10 years), the managing firm receives preferential priority rights to acquire ownership. There is one more reason which we managed to find out in confidential talks with associates of the foreign companies: on the Western stock market, the value of stock depends very strongly on whether the company has access to raw material resources. Management is thereby materialized in property.

All this attracts Western businessmen and inspires the patience to wait for the main profits. For example, no matter how Japan Chromium Corporation rejoices, having received around 30 percent of the world [text as published], taking into account that by May the sector's debts according to the most modest estimates totaled at least 270 million dollars and the collectives have not received wages for more than 4 months.

Hario Suzuki, president of Japan Chromium Corporation. He is a secretive individual, and it is impossible to obtain any information on him even from those closest to him. His name means nothing to specialists. He does not know the Russian language but he quickly signs documents, including the order to fire the economics director of the Yermak Ferroalloy Plant, Yuriy Mukhin (incidentally, the order mentioned no reasons—just fire him, and that is final). Suzuki was the first foreign manager to become an owner. He was appointed by the president of the transnational company Kazkhrom [Kazakh Chromium], to which the stock of all the sector's enterprises was transferred.

The Boss in a Dark Mask and Trenchcoat

The enterprises of Kazakhstan and Russia are firmly linked into a single technological chain. All Russia's ferroalloy plants operate with Kazakhstan ore, and 100 percent of the chromium exported from Russia is reexported Kazakh raw material. Magnitogorsk exists on Sokolovsko-Sarbayskiy pellets. Aluminum oxide comes from Pavlodar to Krasnoyarsk and so forth. So Russian industry is by no means indifferent to the reliability of Kazakhstan partners. But, it turns out that the names of the firms which received such tasty morsels to manage mean nothing to specialists.

For example, Japan Chromium Corporation is by no means a Japanese firm but a group registered in the offshore zone in the British Virgin Islands. The Sokolovsko-Sarbayskoye Association went to the Icelandic group Ayvedon while the Pavlodar Plant went to the British Uatsven. These groups were created and registered in offshore zones specially for the Kazakhstan project. But the most mysterious thing, we managed to find out, is that the powers of attorney to manage the most important sectors of Kazakhstan's economy from all three companies named above which got rich quick are in the hands of [text as published] ordinarily, in our opinion, Aleksandr Mashkevich.

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Aleksandr Mashkevich is a citizen of Israel and past dean of a faculty at the Kirghiz Pedagogical Institute. A candidate of sciences, he published an abstract of a doctoral dissertation. He has been in the cooperative movement since 1988. He left the USSR and again appeared in Bishkek as an associate of the Seabeko firm. He was coordinator in the notorious "gold project," which led the government of Kirghizia to resign. According to Mashkevich, the consequences could have been worse if he had not convinced Birshteyn to pay for the 20 tonnes of exported gold. A. Mashkevich, as he claims, has now broken into Seabeko. He is co-owner of a plant for producing furniture in Italy. He is suspected of connections with the Chernyy brothers, but he calls them no more than business partners.

A considerable number of swords have crossed over the very painful question of how "clean" those companies and managers who are managing Kazakhstan's economy these days are. One of the leaders of the government who asked to remain anonymous expressed his opinion on this score: In the situation which has taken shape, we have no time for moralizing, and the economy will be irreversibly ruined without injections of capital.

For now that thinking seems to be justified. The new managers armed with the experience of the Western market are obsessed with reviving enterprises which already have one foot in the grave. The Pavlodar Aluminum Plant, for example, lost sales of its output, since all four Krasnoyarsk partners refused its aluminum oxide and switched to raw materials shipped from other countries. Mashkevich managed to reach an understanding with the Chernyy brothers (according to rumors, common interests were found... in Zaire), and the Kazakh aluminum oxide returned to the traditional Siberian market. The Sokolovsko-Sarbayskoye Association, which just recently in the spring was only 35 percent loaded and passed the time with barter, began to work at full capacity. Today Magnitogorsk is buying up all its output immediately and pays in advance.

The most inert and giant-like Karmet is also getting on its feet. The social tension was eliminated, wages came, debts are being reduced, reserves of raw materials are being created, and plans for sale and delivery have begun to work. Grigoriy Luchanskiy, who is not unknown to the Russian public, represents the interests of the Eisenberg group in Kazakhstan and at the Karaganda Metallurgical Combine.

Russia Mirrored in Its Neighbor

In Kazakhstan today, one hears a considerable number of warnings about the transfer of large enterprises to foreign management. Yes, an orientation to imported capital can crush the incipient national bourgeoisie and assign it to a minor role. Under the present tax system, Kazakhstan businessmen cannot reach a level where they are capable of substantial investments. And they are forced to engage merely in intermediary trade activity. But they will get thrown out on their ear just like Butya if they stick their noses into production.

And there is still a lot of talk about the never-ending patriotic theme. People say that foreigners are pumping out natural wealth and getting rich and vanish into thin air. The circumstance that capital of obscure origin often comes to Kazakhstan and there are a considerable number of people on the make with questionable pasts among the new partners is cited as an argument. Incidentally, Vitaliy Mette acknowledges the need for the special services and Interpol to work together in this area.

But it seems to us that such opinions come mostly from the primal socialist distrust of foreign capital which has eaten into our chromosomes. It always seems to us that the capitalists are just waiting to wrap the worker around their finger. But the facts are different: the faded giants of Kazakh industry got a second wind in literally a matter of months. And none of the associates are being dismissed "just like that." On the contrary, people are beginning to get much more than what they had under socialism. And if we recognize reality rather than construct false assumptions, the arrival of the Varangians with "Soviet" roots in Kazakhstan's post-Soviet economy is to its benefit for the time being. And Western partners is no reason to question continued joint work.

Kazakhstan with its political stability is a much more attractive area for Western capital than unpredictable Russia. But at some point our country will settle down. And Western managers will come to Russia and Western capital will begin to flow. Obviously, by analogy with our neighbor, our former fellow countrymen will be the pioneers. As Aleksandr Mashkevich says, "I never feel as comfortable anywhere as in the expanses of the former USSR."

Russia can see itself mirrored in Kazakhstan...

Issuing Dollar Denominated Bonds Planned

954F3003A Moscow KOMMERSANT DAILY in Russian 21 Jul 95 p 4

[Article by Aleksandr Pivovarov: "Ukraine's Financial Policy: The Principal Ukrainian Bank No Longer Likes Dollars"]

[FBIS Translated Text] The National Bank of Ukraine (NBU) intends to issue hard currency certificates earmarked for small private investors this fall. It is curious

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that this is the first case on the territory of the ex-USSR of the dissemination of state securities denominated in hard currency earmarked for physical persons.

Seven Is a Good Number

The chief of the capital market and exchanges administration of the NBU, Vitaliy Migashko, told the KOMMERSANT correspondent that the certificates will have face values of 50, 100, and 200 dollars. For the convenience of the buyers and fund operators, the securities will not be registered (but payable to bearer). The investors will make a profit by buying at a discount and being repaid at face value at the end of the set period of circulation. The volume of emission has not yet been confirmed, but according to some assessments, the first series is unlikely to exceed a few tens of millions of dollars.

It is expected that the certificates' profitability will be fixed—approximately 7 percent annual interest. The mechanism for ensuring the high stability of the project is simple: the National Bank will place about 70 percent of the dollars collected outside Ukraine's borders in first-class banks, while local banks will receive the remaining 30 percent through NBU credit auctions.

The profitability of the investments will undoubtedly differ: outside the country Ukrainian financial experts expect to receive about 6 percent annual interest—in accordance with the LIBOR rate. But the fate of the dollars invested in the Ukrainian economy is different: the National Bank expects 10 percent annual interest from them, so in order to pay for them commercial banks will have to offer credit at even higher interest. And the final recipients of the hard currency investments will be selected at tenders in which the NBU will no longer be directly involved.

That is how Vitaliy Migashko sees the project's investment portfolio with the desired 7 percent annual interest as the result.

The National Bank intends to hire commercial banks which have developed networks of branches and are in stable condition and have been audited by well-known auditing firms to place the certificates. Cooperation with the European Bank for Reconstruction and Development [EBRD] is considered a unique kind of "mark of quality"; this is something only the Ukrainian Agroindustrial Bank and Gradobank can boast of (another five banks are being audited, but the Kiev office of the EBRD did not want to give their names before the audits were complete). In an extreme case the qualifying feature will be experience participating in auctions of the National Bank and the Ministry of Finance to sell government-funded domestic loans—there are about 30 such banks (of the approximate 200 which exist).

Dollars, Go Home [text in English]!

The reason for certificates denominated in hard currency is simple: using foreign banknotes on Ukraine's territory to pay cash for goods and services has been prohibited since 1 August. Ukraine's population has a significant quantity of dollars in their hands (according to some estimates, at least 6 billion), which puts pressure on the consumer market and speeds up inflation. By placing a large part of the capital collected in Western banks, the National Bank of Ukraine hopes to push at least part of the hard currency out of the country. The idea is not a new one: NBU chairman Viktor Yushchenko spoke of plans to issue dollar certificates back in February when the end of the first (unsuccessful) attempt to prevent the circulation of foreign currency in cash as a means of payment was approaching. Moreover, the constantly erupting scandals over "pyramid" companies, which for some reason prefer to collect dollars rather than karbovantsi, annoy statesmen too. Every such case inevitably ends in picketing and deputy queries. And the NBU certainly does not intend to pay Ukraine's foreign debts with hard currency from certificates—at least that is what Vitaliy Migashko claims.

Who Is Opposed?

The International Monetary Fund was the first to object in clear terms to realization of the project. Its mission came to Kiev on 17 July for a regular audit of the Ukrainian economy's condition, and during talks the Fund's representatives reacted negatively to the forthcoming issue of certificates, mentioning the sad Mexican experience: a total of 20 billion dollars in securities denominated in dollars was issued there last year. International financial organizations eventually had to provide a much larger amount of aid.

But even so the authors of the project are convinced that they will be able to change the IMF experts' minds, declaring the fight against inflation to be their final goal as their main argument.

The Ukrainian deputy minister of economics, Anatoliy Danilenko, was not enthusiastic over the prospect of the dollars collected within the country being transferred abroad but refrained from a detailed commentary, since he had not yet received any official documents regarding the project.

But the deputy chief of the hard currency-economic administration of the Ministry of Finance, Aleksandr Pugachev, treated the plan for issuing hard currency certificates quite calmly. Above all because that same

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National Bank performs the functions of hard currency oversight. And then he is the one who gives the authorization to export capital.

***Transport Sector Problems, Priorities Detailed**

954F2978A Kiev MOST in Russian
No 30, 31 Jul-6 Aug 95 pp 1, 6

[Article by Orest Dmitriyevich Klimlush, candidate of technical sciences, academician of the Ukrainian Academy of Transport, Ukrainian People's Deputy, member of the Ukrainian Supreme Council's Commission on Matters of the Fuel and Energy Complex, Transport and Communications and advisor to Ukraine's Prime Minister: "Transport Is Like an Army, Without It, There Is No State"]

[FBIS Translated Text] **Ukrainian transport's potential resources significantly exceed the current demand for its services: the general slump in production has led to a precipitous decrease in the freight shipment volumes and a noticeable reduction in the passenger flow.**

If it is believed that the production slump will be overcome, then it is necessary to think about how to protect the transport sector from ruination so as later not to be in the situation: "What we have, we do not preserve and, having lost it, we cry."

The road and transport system is an extremely important component of the economy and of the state's entire life. In any country, a great deal of attention is paid to ensuring a high level of efficiency of transport's functioning. In one way or another, every citizen comes into contact with this sector — either as a passenger or as a participant in a production process which depends completely on transport's activities. And, in entering into relations with this attribute of our life, accordingly, people assess it.

Unfortunately, it must be acknowledged that no one is satisfied today with transport's work. Both the clients and the transport workers and their leaders have objective grounds for such an assessment. Ministry workers and legislators also have them. We will attempt to delve into the reasons for the unsatisfactory activities of our country's transport sector.

Why Is a Ministry Needed?

Ukraine's transport system currently consists of subsectors which, in earlier times, existed separately and independently of one another. Each of them was a distinctive state within the state: the railroad, road, air, river and sea transport and even road management which is generally not considered in the West separately from motor transport. During my tenure as Minister of Transport, I considered the unique ideological unification of all these subsectors to be one of my strategic tasks.

Why am I talking precisely about the ideological unification of the varieties of transport? After all, technologically, for example, aviation and the railroad are literally heaven and earth. There are different methods for delivering freight and passengers, different management technologies and so on. But the functional designation of the airplane and the locomotive is one and the same. And the methods for evaluating the results of the work of the railroad and motor transport are also identical: the same tonnage- and passenger-kilometers. And this is why, just by uniting on principles of mutual supplementing, close cooperation and simultaneous backup support, all these subsectors are capable of creating a strong and capable road and transport system. All this should be planned and coordinated at the state level.

The catastrophic drop in the economy led, naturally, to a decrease in receipts for the state budget. The sources for funding the transport sector also became poorer automatically, which could not help but have an effect on the efficiency of its work. These circumstances, together with the transition to world prices for energy resources, have created totally new conditions for transport. But the methods of its work, the technologies used and the energy consumption level are still the same as before and this is why they no longer completely correspond to present-day requirements. The use of certain energy-intensive types of transport and means of transport, in particular, such as airplanes or ships with hydrofoils, in the engines of which the fuel flows out, as if into an abyss, has become completely unacceptable in many instances, given the present economic situation.

In addition to the purely financial problems, there exists yet another set of problems — the technical level of the means of transport. Besides the fact that these means in our country are all outdated and physically worn out, they also consume 2-3 times more energy resources than their Western analogs. And, indeed, it would be possible to save enormous amounts of money by converting agricultural transport, or else all trucks, to diesel fuel. We also cannot be satisfied with the condition of the roads. Lately, there have appeared on our roads quite a few foreign-made vehicles which have increased axle loads and speed capabilities and are intended for the best-quality road surface. The same thing also applies to the condition of our railroads, sea and river ports and airfields. The new means of transport are making new demands on the facilities with which they interact and are requiring their re-equipment.

The social factor is also becoming very important now. As a consequence of the reduction in the passenger flow

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and the freight shipment volumes, a large number of skilled workers is being fired. The formerly esteemed and prestigious specialties of pilot, seaman, driver and so on are valued a lot less today: more and more highly rated professionals are finding themselves "overboard." Solving all the listed problems should be one of the Ministry of Transport's main tasks as the conductor of state policy.

Funding Sources and Spending Priorities

In order to solve the listed problems, of course, a corresponding legal base is needed. The legislative authority has drafted and is continuing to draft and to pass laws which regulate transport's activities on the state level. But a legal base by itself is not enough.

Such components of the state infrastructure as power engineering, transport and communications are in need of state support, especially during the transition period, when the owner of the means of production is changing. Accordingly, it is necessary to have a clear-cut program of actions in this direction. After being elected to the Supreme Council, we like-minded people's deputies managed to form a commission which deals with matters of the fuel and energy complex, transport and communications. There are no sectorial commissions in the parliament and there should be none. Even our commission is no exception in this sense: it does not decide any narrowly sectorial matters, but rather, it develops directions for the state infrastructure's activities.

One of the main problems, on which the commission is currently working, is the search for funding sources for transport. Throughout the entire world, passenger transport is seriously subsidized by the state. Currently, in our country, such state support is equal to zero for all practical purposes. Earlier, passenger transport was maintained at the expense of the freight shipments. Today, however, the freight shipment volumes have fallen catastrophically, which, against the background of the sharp increase in the cost of fuel and lubricants, has led to the fact that it has become simply impossible to subsidize passenger transport by any means. In turn, accordingly, passenger transport has also declined. For example, sea shipments within the state (so-called coastal shipments) have dropped almost to zero. And all because the budget does not provide funding for transport, especially passenger transport.

The other side of this problem is the unjustifiably large number of passengers who enjoy various privileges. The state has granted 39 categories of passengers the right of free passage on urban and suburban transport, but did not provide sources for reimbursement of the corresponding high expenditures. Such assistance should be recipient-specific: if the state believes that a pensioner, a policeman, a serviceman or a customs official has the right of free passage, it should give him money for this purpose or buy him a travel pass. Moreover, there is an injustice: for example, an urban pensioner makes use of his right to travel on public transport, but a rural pensioner does not.

We will continue to be at an impasse until it is legislatively stipulated how much money is to be put into transport and for which needs. Then we will put all of our citizens in the same position and avoid situations when one of the oblast administrations suddenly decides to make a trip free, which leads to a whole set of problems, the main one of which is the irresponsibility of both passengers and drivers. Free means no one is responsible. The attitude matches this.

As for the condition of the rolling stock, I would emphasize the need to develop our own production of the means of transport because, by buying, for example, an airplane abroad, instead of funding our own jobs, we fund those of others, while unemployment in our country grows. The production of the means of transport may be viewed as a link and, if we tug at it, we may well undo the entire chain of our economy. By developing this sector, we provide other sectors of industry with jobs. The products will have a broad market and, once the necessary level of quality is reached, it will then even be possible to think about exporting.

Whoever Inspects for the State Should Not Be Engaged in Commerce

And now about one more circumstance which is very important for the formation of our state system. A special feature of Ukraine consists of the fact that we still have a large state-property sector. And this sector is currently operating not very efficiently. The state is frequently unknowingly, if it can be put that way, continuing to support it. The sectorial ministries should implement this support directly. The new management approaches require the establishment of special state structures for the economic management of state-owned enterprises. These structures should ensure the efficient use of state property. But, the ministries cannot be the economic management structures in any event. The ministries should perform the functions of state regulation and should not, by any means, meddle in economic management matters.

If the ministries operate according to this scheme, they will establish rules of the game, which will be identical for all enterprises, regardless of the form of ownership, and which, in the end, will assist the strengthening of the most efficient of them. Otherwise, the minister and his team, consciously or unconsciously, will implement

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a protectionist policy with respect to the state enterprises subordinate to him, regardless of whether they are operating well or (as is much more frequently the case nowadays) poorly. The main problem which, in my opinion, should be solved by the Cabinet of Ministers is the conducting of such a distribution of functions, under which the ministries would shape the basic approaches, establish unified rates for an entire sector, unified technical requirements and unified standards, propose tax rates, grant licenses to enterprises of various forms of ownership and implement monitoring of the observance by the enterprises of all the established rules and requirements, but, by no means, engage in economic management activities. The various production associations, holding companies, corporations, concerns and so forth may engage in such activities.

At one time, the Ministry of Transport had found appropriate forms of individual economic management structures. Back when the Cabinet of Ministers still had the right to issue decrees, a decree was issued that granted the transport and road organizations the right to establish their own state associations. In addition, according to the Law on Enterprise, the enterprise did not have to be part of any kind of association, rather, it should be directly subordinate to the ministry. However, we established a number of transport associations, in particular, motor transport territorial production associations (TPO) in each oblast. This was quite logical because each region has its own specific problems and the radius of management resultant in this instance was the optimum one. Also established were four associations in aviation and three associations in road management and the establishment of associations of ports in sea transport had been planned and so on.

I am certain that it is also necessary to act further in this direction. Retreating from such tactics is possible only where there exists an absolute monopoly such as, for example, in the railroad. It belongs entirely to the state and there are no plans for any kind of parallel construction of private railroads in the near future. And, even in this instance, there should not be an absolute combining of management and regulatory functions within the framework of a single structure. I.e., matters of licensing, certification, technical oversight and interaction with foreign partners should be decided by state structures not involved in economic activities.

Unfortunately, the policy pursued over the course of the last year by the Cabinet of Ministers and the president's administration is not entirely in keeping with these principles. For example, the transfer of state regulatory functions to the State Air Transport Administration absolutely does not conform to advanced world experience. Today, this structure is responsible for efficient economic management activities, the operation of airplanes and airport properties, the coordinated work of personnel and so forth and monitoring functions are totally out of place for it because it turns out that the state administrator, to whom the state airline is subordinate, issues the flight operator's certificate both to the private structure and to the state structure. Of course, it will establish the most favorable conditions for its "own" company so that state airplanes will be loaded with shipments first. This position-of-strength approach, as paradoxical as it may be, does not work entirely to the benefit of the state itself.

Now the Ministry of Transport, after a year-long interruption, has finally received a leader. I would like to hope that the new minister will become the exponent of national interests and not of the corporate interests of one or another of the economic management structures, even if they are state structures.

[Boxed material, p 6]

A Few Words About the Author

Orest Klimlush is a candidate of technical sciences, an academician of the Ukrainian Academy of Transport, a Ukrainian People's Deputy and a member of the Ukrainian Supreme Council's Commission on Matters of the Fuel and Energy Complex, Transport and Communications.

He was born on 14 February 1941 in Zakarpatya [Transcarpathia]: as of 1957 he worked as a vehicle mechanic for the Yasinya Logging and Lumbering Enterprise and studied in the technical school; in 1964, he graduated from the Kiev Highway Institute; and, in 1973, he defended his candidate's thesis. In 1965-1967, he was the chief engineer of the Khust Motor Depot and, since 1971, he has been an engineer, junior scientific associate, senior scientific associate, sector head, and deputy director of the State Motor Transport Scientific Research Institute and, as of 1988, institute director and general manager of PO Avtotransport [Production Association Motor Transport]. From March of 1992 through 11 July 1994, he was Ukraine's Minister of Transport. On 27 March 1994, he was elected a people's deputy from Rakhov Electoral District No 172 in the Transcarpathian Oblast, having been chosen in the first round by 58.61 percent of the votes, over five opponents. On 18 July 1995, Orest Dmitriyevich Klimlush was appointed an advisor to Ukraine's prime minister. [End of boxed material]

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Estonia

*Government Financial Violations Uncovered

954K0637A Tallinn PÄEVALEHT in Estonian 24 May 95 p 3

[Staff article: "State Controller's Office Uncovered 462 Violations of Legal Measures Last Year"]

[FBIS Translated Text] ***TALLINN (BNS/PL)—The State Controller's Office sent the report of its 1994 activities to Riigikogu [parliament], the president, the government and the media. According to the report, 462 violations of legal measures were uncovered by this agency designated to check on financial matters.***

The State Controller's Office ran a total of 170 checks last year which involved 240 objects. In addition to violations uncovered, transactions amounting to 385.9 million kroons were subjected to additional scrutiny. Expenditures totaling 69.5 million kroons were considered spent illegally or inappropriately. Also established were sums not entered in, or not returned to the state's budget, totaling 110.6 million kroons. Spending overruns for event financing amounted to 23.3 million kroons. Checks also revealed illegal transactions involving state-owned assets to the tune of 87.4 million kroons.

In the press statement released yesterday, the State Controller's Office admitted that last year, none of the state agencies had a correct overview of the state's assets as a whole and of changes occurring within it. The money belonging to the state had not been accounted for in full, and state agencies often failed to act as owners or trustees of these funds.

The State Controller's Office also reproached the government for not paying much attention to the problems of state assets during 1994. These included assessing the cost of state-owned forest roads, bridges, and land improvement projects and reflecting such in statistical reporting. Also, only a few regulatory measures would have been sufficient to make the expenses of state highways part of combined statistics, but these were not passed.

Also typical was granting the use of state property without competitive bidding, at low rental rates, for periods exceeding the prescribed limits. The requisite portions of money from transactions involving state property were often simply not entered under proceeds to the state treasury, or ways were found for getting around it, for example by formulating cooperation agreements instead of rental agreements.

In its press release, the State Controller's Office points to the need for raising the accountability level of agency and organization heads in dealing with state property. The removal of these and other trouble spots will be running into this year's agenda and thus up to the new government to tackle.

The State Controller's Office headed by Hindrek Meri is, according to the constitution, an independent state agency for monitoring fiscal operations. It monitors the fiscal activity of state agencies and other state organizations, the use and maintenance of state-owned property, the use and charge of state property assigned to local government units, and the fiscal activity of enterprises, in which the state has more than half of the shares or votes based on shares, or whose loans or contractual responsibilities are backed by the state.

*Privatization Shortcomings Critiqued

954K0637B Tallinn PÄEVALEHT in Estonian 5 Jun 95 p 9

[Article by Urmo Kohv: "Privatization Leader Not Happy With Legislation"]

[FBIS Translated Text] ***According to Väino Sarnet, executive director of the Privatization Agency, the future course of privatization is going to be hampered by the state property law now waiting for the implementation of supplementary laws, as well as changes in the privatization law being processed by the parliament.***

"Most of the problems cropping up in the future will obviously deal with getting enterprises listed for privatization, since the state property law provides a procedure totally independent from privatization for carrying out these sales," Sarnet told EESTI PÄEVALEHT.

No Dispute at the Agency Right Now

In that case, the privatization leader asserted, the sale of state property would be accomplished through the ministry in charge of administering it.

"Since most of the industrial and service enterprises have been listed by now, the enforcement of this law will not have any great significance in this area. From the standpoint of infrastructure, however, certain questions are bound to arise in the course of privatizing important enterprises," he mentioned.

The main legal point, in Sarnet's opinion, is the question of whether or not enterprises of the infrastructure, after being entered in the registry of state property (as required by the state property law) will still be subject to the privatization law.

"At the moment, enterprises of the infrastructure are not part of the privatization listing, and their sale, in the near future, is not even a consideration," remarked Sarnet, who insisted that differences over the privatization of

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infrastructure between the agency's active staff and its council members are not acute at this moment. This has also not slowed down the rate of privatization. At the same time, the agency's leader added, this is not to say that similar problems will not come up in the future.

"No one will probably argue the necessity of preparing for the privatization of infrastructure, along with a concept to determine whether or not it should be done, when it should be done, and how it should be done," said Sarnet referring to the soon to be activated preparation process for privatizing the most significant state enterprises.

Even though it may be hard to imagine any major disputes in the initial stages, the discussions emerging after the concept has been worked out should, in his opinion, also reach the parliament or government level. "Only after that can one predict how, how fast, or if at all, privatization should be initiated for these objects."

Organizational problems for the future of privatization, Sarnet thought, could be caused by changes in the privatization law now being processed in the parliament. Approval of the latter would automatically mean changing the administrative scope of the privatization agency, in connection with the agency's subordination to the Ministry of Economics.

"Now, when privatization in the industrial and service sectors is nearing completion, is not the best choice of a time to reorganize. After a certain period, these issues should have been reviewed anyway, and a better time for this would have been at the start of the new year. By then, privatization of the industry would have been completed, more or less, with the agency hopefully retaining the task of privatizing the infrastructure and the land."

Disclosure Will Be Decided by the Council

The change in the law dealing with the disclosure of privatization will not cause any problems to the agency, Sarnet maintained, because it is possible to adjust to the change the council will be voting on, even now. According to that, the agency can disclose, in addition to the general terms of the purchase agreement, other information, provided it does not hurt the business interests of the bidders.

"This could be done any time at all, but unfortunately there is no way of knowing what kind of information might hurt the business interests of the bidders. The bidder may come up with it much later, possibly even in court," the privatization leader said.

***Russia Ups Trade Tariffs for Estonia**

954K0637C Tallinn EESTI PÄEVALEHT in Estonian 9 Jun 95 p 7

[Article by Argo Ideon: "Russia Raising Customs Barriers"]

[FBIS Translated Text] **On 6 May, the Russian Government approved new tariff rates for import goods with its Decree No. 454. Customs charges will be going up on the import of many goods to neighboring states, beginning 1 July, while double tariffs are being applied for imports originating from Estonia.**

For those categories of goods whose tariffs were not increased with the Russian Government decree of 6 May, these rates have already been in effect since 10 May. Some of the raised tariffs will take effect 1 October, but most of them will go into effect starting with the second half of the year.

The Russian Government decree provides that double import tariffs will be applied to those goods that originate from countries to which the Russian Federation has not granted the most favored status of economic and trade relations. So far, Russia has not agreed to extend the most favored status to Estonia.

Demand for Money Hampers Trade Relations

Tiit Reiman, head of the foreign trade department at the Economic Ministry, told EESTI PÄEVALEHT yesterday that the Russian Government's decision to effect higher tariff rates has a negative impact on Estonian-Russian trade relations. The decree relates to many of those product groupings, whose share in Estonia's exports to Russia has been significant. In most cases, it will be more difficult than before for our products to reach the eastern market.

The sale of processed food products to Russia, especially pastries and soft drinks, will become very complicated after 1 July. The same applies to furniture, as the Made in Estonia sticker will cost 60 percent of each item's customs value on the Russian border, beginning 1 July.

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Examples of Russia's New Import Tariffs

Type of product	Former tariff	New tariff	Tariff for Estonia
Fish	5 percent	10 percent	20 percent
Milk powder	2 percent	10 percent	20 percent
Butter	15 percent	20 percent	40 percent
Pastry	15 percent	20 percent	40 percent
Some chocolate products	-	10 percent	20 percent
Soft drinks	-	25 percent	50 percent
Mineral fuels	1 percent	5 percent	10 percent
Furniture	20 percent	30 percent	60 percent

Source: Economic Ministry/EPL

Tiit Reiman pointed out, however, that the Russian Government also reduced tariffs for some product groups and that the 6 May decree actually simplified the export of some goods to Russia.

Russian Ministries Are Playing Ping-Pong

Over the last few years, the Russian Federation has ranked a steady second among Estonia's trading partners. Even though our open economic policy has been met with double tariffs by Russia, Estonia's trade balance with Russia has remained positive.

According to Tiit Reiman, Russia's granting the most favored trading status to Estonia is snagged behind political issues. "If these could be resolved at the meeting of our foreign minister Sinijärv with his Russian colleague Kozyrev, a resolution could also be found to our economic problems," he opined. For the time being, however, talks on these subjects have not taken off, and Reiman compared them to a game of Ping-Pong on the level of officials at Russia's economic and foreign ministries.

Russia's higher tariff rates also mean that the most resourceful of Estonian companies will be coming up with all kinds of legal ways of getting around them.

According to Tiit Reiman, head of the foreign trade department at the Ministry of Economics, one of these ways is forming cooperative enterprises, since the import of raw materials for these enterprises is tariff-free. Such declarations could be made for agricultural products, for example. Another way is to make use of the concessions that are in effect for raw materials supplied to Russian companies by subcontracting. This category could include goods in their almost finished form.

***1996 Government Budget Priorities Set**

954K0637D Tallinn EESTI PÄEVALEHT in Estonian 10 Jun 95 p 3

[Article by Kristi Malmberg: "Government Set Budget Priorities for 1996"]

[FBIS Translated Text] **Priorities for the 1996 state budget are, according to Finance Minister Mart Opmann, support systems for agriculture, police, border guard, customs office, taxation office, and teachers' salaries.**

According to Ants Liiver, head of the budget department at the Ministry of Finance, the volume of next year's budget is projected at 10.2 billion kroons. According to preliminary calculations, the volume of next year's state budget will go up by 16.2 percent compared to 1995.

The principal sources of budgetary income for the coming year are sales tax, individual income tax, corporate income tax, and excise taxes, Liiver remarked. The biggest expense items, according to him, are education and the social sector.

Tiit Saat, vice chancellor of the Ministry of Finance, said at the government's press conference yesterday that the Finance Ministry submitted the bill of the 1996 state budget to the government on 16 March. Other ministries, in turn, were to submit their budget bills to the Finance Ministry by 15 May. Saat said that the ministries, however, did not stick to the ceiling figures established, and the budget was blown by 3.2 billion kroons.

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Saat said that this situation forced the government to review the priorities very carefully. This is very complicated because all the programs submitted by the ministries were extremely positive, Saat said.

He said that two weeks ago the government had decided to reduce the ceiling figure submitted by the Finance Ministry by roughly 3 percent, which would result in 300 million kroons in unallocated funds. This money would enable us to designate preferential development for some areas, Saat said.

Saat also said that on Thursday, the government did not assign any firm figures to the priorities, and the 300 million kroons in unallocated funds was not distributed.

The current government has a somewhat different view of the state's income policy than did the previous one headed by Andres Tarandi, during which the budget bill was compiled, Saat said. He said that the changes contemplated by this government will not change the volume of the budget as a whole but only the structure of income and the relationship between the central and the local budgets.

The government has to submit the bill of the 1996 state budget to Riigikogu [parliament] by 1 October.

Government Planning To Raise Excise Taxes

The government is planning to fill the gap resulting from the proposed upping of the tax-free minimum for individual income tax by raising the excise tax.

Saat said that upping the tax-free minimum from 300 kroons to 500 kroons would leave a hole of about 400 million kroons in state and local budgets and, to compensate for that, the government has decided, in principle, to raise the excise tax on alcohol and motor fuel.

During the first months of the year, Saat said, proceeds to the state from tobacco excise ran from 7 to 8 million kroons a month, on the average. "With tax notations placed on tobacco products, this indicator went up to 14 to 15 million kroons," he added. "Thus, to make up for these 400 million kroons, the excise taxes should be doubled, at least," Saat said.

Saat also said that the government had made a decision in principle, establishing that beginning next year, individual income tax payments would be channeled to the local budgets, resulting in an increase in the latter of 2 billion kroons. He added, however, that this new channeling to local budgets will have to be revised to some measure, since the needs and income base of local governments are rather diverse.

The general principle is that responsibilities go along with the money, Saat said. He said that the central government has not reached agreements with local governments as to what responsibilities will be assumed by the local governments in the future. "Everything will be settled in the course of negotiations already being held."

According to Marika Saarna, the government's press representative, Prime Minister Tiit Vähi believes that the last administration's indebtedness of 140 million kroons should be paid back to the local governments, as was also determined by the court.

Lithuania

***Russian-Lithuanian Agreement on Citizens' Travel**

954F2894A Moscow ROSSIYSKAYA GAZETA in Russian 21 Jul 95 p 15

["Provisional Agreement Between the Russian Federation Government and Lithuanian Republic Government on Reciprocal Trips of Citizens"]

[FBIS Translated Text] The Russian Federation Government and Lithuanian Republic Government, hereafter referred to as the Parties,

guided by provisions of the Treaty on Principles of Interstate Relations Between the Russian Soviet Federated Socialist Republic and Lithuanian Republic of 29 July 1991, and the Agreement Between the Russian Soviet Federated Socialist Republic and Lithuanian Republic on Cooperation in the Economic and Sociocultural Development of Kaliningrad Oblast, RSFSR, dated 29 July 1991,

striving to simplify the procedure for reciprocal trips made by citizens of both states,

have agreed as follows:

Article 1

Citizens of one state may enter, depart, transit through, and stay temporarily in the territory of the other state through the possession of visas and documents enumerated in Article 2 of this Provisional Agreement, unless otherwise stipulated by this Provisional Agreement or other agreement between the Russian Federation and Lithuanian Republic.

Article 2

The following documents comprise certification of the identity of citizens and are acknowledged by the Parties to be valid for reciprocal trips:

a) for Russian Federation citizens:

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diplomatic passport;

official passport;

foreign-travel passport;

seaman's passport (with crew manifest or properly authenticated extract thereof);

certification for return.

The above-enumerated documents for Russian Federation citizens with USSR symbology must contain a record or annotation of Russian Federation citizenship;

b) for Lithuanian Republic citizens:

diplomatic passport;

passport of a Lithuanian Republic citizen;

seaman's document (with crew-list record or properly authenticated extract thereof);

child's travel document;

certification for return.

In the event that new documents are introduced, the Parties shall inform each other through diplomatic channels no less than 20 days prior to their introduction, with simultaneous transmission of at least eight officially legalized representations of each document.

Article 3

Citizens of one state enter the territory of the other state and depart from that territory through border crossing points open for international or bilateral passenger traffic.

Article 4

Citizens of one state are obliged, during their stay in the territory of the other state, to observe the laws and other legal enactments of that state.

Article 5

Citizens of one state are obliged, in obtaining a visa for travel to the other state, to submit to that state's diplomatic representation or consular institution an invitation drawn up according to established procedure and obtained from an appropriate juridical or physical person of the host state, except in instances indicated in this Provisional Agreement.

Article 6

An invitation for obtaining a visa is not required when:

a) an individual possesses a pass for a boarding house, vacation facility, sanatorium, or other treatment or health improvement facility in the territory of the host state, which has been issued by an authorized organ of that state;

b) an individual possesses a tourist pass (voucher) issued by a Russian or Lithuanian tourist organization dealing legally in international tourism (or a partner of such organization), with confirmation by a tourist organization of the host state;

c) an individual has real property based on right of ownership or long-term (more than six months) lease in the territory of the other state, upon presentation of certifying documentation;

d) need arises to exercise the right of inheritance, upon presentation of documentation certifying the receipt of an inheritance in the territory of the other state.

Article 7

In urgent situations of a humanitarian nature, authorized organs of both states may issue visas free of charge within 24 hours. Among others, such trips include the following:

a) trips for the purpose of visiting a seriously ill family member or close relative, to take part in the funeral of a family member or close relative, upon the presentation of confirming documentation, certified on the part of the Russian Party by a medical center or organ of the Russian Federation Ministry of Internal Affairs, and on the part of the Lithuanian Party—by a medical center or agencies of the Migration Department of the Lithuanian Republic Ministry of Internal Affairs, as well as by communication through diplomatic channels;

b) trips made by persons in need of urgent medical assistance, or persons with grave illnesses, with documentation issued by authorized organs confirming the need for entry on an urgent basis into the territory of the other state;

c) trips for the purpose of accompanying persons mentioned in point b) of this article, with documentation confirming the need to accompany the ill individual;

d) trips made for the purpose of rendering assistance in eliminating the aftereffects of natural disasters, catastrophes, and epidemics;

e) trips to accompany humanitarian-assistance cargo, upon presentation of documents drawn up in accordance with legislation in effect of the host Party.

Article 8

Authorized organs of both states shall issue multiple visas, valid over the course of one year, to persons with close relatives permanently residing in the territory of

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the host state, upon presentation of an invitation from such relatives certified in accordance with the legislation of that state.

Article 9

Russian Federation citizens permanently residing in territory of the Lithuanian Republic and Lithuanian Republic citizens permanently residing in territory of the Russian Federation shall make trips to their state of citizenship and return to their place of permanent residence without visas.

Russian Federation citizens who hold documentation certifying retention of the right of Lithuanian Republic citizenship, along with family members whose names are entered on such documentation, may make trips into the Lithuanian Republic without a visa.

Article 10

Entry without a visa continues to be authorized for the following individuals:

a) members of civil aviation aircraft crews, with annotation in the general declaration (flight manifest);

b) crew members of seagoing and river vessels, with crew manifest or extract thereof;

c) workers of train crews, refrigerator and locomotive teams of the railroads, listed by name for specific routings approved for each trip;

d) motor vehicle transport crews (not more than three individuals), including transit traffic, with authorization issued by competent organs of the Parties in accordance with the Agreement Between the Russian Federation Government and Lithuanian Republic Government on International Motor Vehicle Transportation, dated 18 November 1993.

Article 11

The Parties shall charge consular fees on favorable, reciprocal terms with respect to visa issue.

Consular fees for issue of a visa shall not be imposed on:

citizens of one state studying at higher and secondary state educational institutions in the territory of the other state;

persons involved in an exchange program in the sphere of science, technology, education, culture, art, or sports, in accordance with bilateral intergovernmental agreements;

persons visiting the graves of close relatives, with documentation confirming place of burial;

children up to 16 years of age.

Article 12

Authorized organs of each state have the right to deny entry for citizens of the other state or limit the term of their temporary stay, without explaining the reasons for the denial.

Each state shall accept, without conditions and at any time, its own citizens who are directed to leave the other state early or who are deported.

Article 13

Each Party has the right to introduce temporary restrictions, or suspend the terms of this Provisional Agreement or portions thereof, if such measures are necessary to ensure state security, the protection of social order, or the health of the populace. The adoption and repeal of such measures must be communicated to the other Party immediately through diplomatic channels.

Article 14

The Parties shall conduct consultations as necessary, alternately in the cities of Moscow and Vilnius, to analyze the course of implementation of this Provisional Agreement and discuss related issues.

Article 15

Certain provisions dealing with reciprocal trips made by citizens, primarily with respect to Kaliningrad Oblast in the Russian Federation, are stipulated in a Protocol which constitutes an integral part of this Provisional Agreement.

Article 16

This Provisional Agreement may be amended or supplemented upon mutual agreement of the Parties. Corrections made in this regard enter into force as of the date of exchange of the applicable diplomatic notes.

Article 17

This Provisional Agreement shall enter into force 30 days from the date of exchange of diplomatic notes confirming that each Party has implemented the internal procedures necessary for its entry into force.

In the event that one of the Parties intends to terminate this Provisional Agreement, that Party shall notify the other Party of such intent through diplomatic channels. The Provisional Agreement is no longer valid 90 days following delivery of the appropriate diplomatic note.

Done 20 February 1995 in two copies, each in the Russian and Lithuanian languages, both texts being of equal force.

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